Insight INVESTMENT

RESPONSIBLE STEWARDSHIP AT INSIGHT: 2024 REPORT

This report describes the global business of Insight Investment Management, in particular, Insight Investment Management (Global) Limited, Insight Investment Management (Europe) Limited, Insight Investment International Limited and Insight North America LLC collectively known as "Insight".

CONTENTS

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 VII.

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

AT INSIGHT, WE FOCUS ON RATIONAL, EVIDENCE-BASED INVESTMENT DECISION-MAKING AND ARE COMMITTED TO AN INCLUSIVE, POSITIVE CULTURE BECAUSE WE BELIEVE THAT BOTH ARE VITAL TO DELIVER SUSTAINABLE LONG-TERM OUTCOMES FOR OUR CLIENTS.

Effective decision-making first depends on a clear understanding of the issue. For this, you need relevant data and rigorous analysis to understand what matters and why. This is critical for investment decisions, where a multitude of factors can influence outcomes. Equally, any business prioritising client advocacy and leadership in its field must understand its culture, specifically how employees experience it, to identify what should be prioritised to nurture an inclusive and positive environment.

Even though fixed income assets dominate global markets and many investors' portfolios, there is little academic research which analyses how ESG factors influence fixed income investments. We believe that investment managers urgently need a broad and deep bank of academic research demonstrating rigorous financial analysis that has practical applications in portfolio management. The delivery of investment quality depends on our ability to separate reality from rhetoric.

To recognise and encourage the outstanding academic research which provides evidence for investment decisions, we are supporting the University of Oxford to highlight the important contribution of research conducted by not-for-profit academic professionals. In this report, we describe the outcomes of the Greening Finance Prize in its inaugural year and share details of its evolution for 2024.

Turning to Insight's culture, a collaborative environment where everyone is held accountable and success is shared collectively defines our ability to attract and motivate the right employees. To deliver the investment and service quality that our clients expect, we rely on our colleagues to be tenacious and to think differently and challenge the status quo. Maintaining the right environment is essential to our future achievements and our long-term business success.

In this report, we share an overview of our data-driven approach to measuring how colleagues experience our culture and explain how this defined the action we prioritised in 2023 to ensure inclusivity and encourage positive momentum in employee engagement.

We invest responsibly on behalf of our clients, whether their focus is purely to achieve their financial outcomes or a combination of objectives incorporating specific environmental or social goals. To ensure that our performance delivers to expectations, we focus on our people, and the systems and policies that support us.

Last year I shared our plans to invest in training, given the importance of our team's technical expertise to the quality of our stewardship activity and to ensure they are equipped to address the evolving requirements of our clients. In this report, we explain the updates to mandatory training for all colleagues and the expanded in-depth training provided to our client-facing teams as well as training for our investment professionals conducted by our Responsible Investment Team.

I hope this report demonstrates Insight's commitment to effective stewardship. Please do not hesitate to contact us if you would like more information or to share your thoughts with us.

Adrian Grey, Global Chief Investment Officer

RESPONSIBLE STEWARDSHIP HAS PRACTICAL IMPLICATIONS FOR HOW WE APPROACH INVESTMENT, AND IN 2023 WE CONTINUED TO PUSH FORWARD IN DEVELOPING BOTH OUR INVESTMENT CAPABILITIES AND HOW WE ENGAGE ON A WIDE RANGE OF TOPICS.

In our previous annual stewardship report, we shared our intention to align our US municipal bond capability to Insight's responsible investment approach. I'm pleased to confirm that the team has now implemented an ESG risk ratings model, enabling comparison across municipal bond holdings and portfolios; leveraging metrics that cover climate physical risk, carbon emissions, socio-economic metrics, and governance factors.

We also sought to integrate ESG factors in our systematic fixed income capability in 2023. Because this approach seeks to achieve market exposure to bond sub-asset classes, our initial focus has been on reflecting specific client instructions by applying ESG exclusions. In 2024, we are seeking to develop our framework to scale ESG integration where relevant and in keeping with client requirements.

Insight continued to engage extensively in 2023 to support well-functioning markets, prioritising issues where we offer leading technical expertise and we have identified potentially significant implications for clients and the wider market. We made a range of specific recommendations and drove positive outcomes, as detailed in this report.

For example, we participated in a major UK Department of Work and Pensions (DWP) consultation, setting out our views on how pension schemes could make full use of their surpluses. Insight also voluntarily gave evidence to the UK Parliament's Work and Pensions Committee inquiry on options for pension schemes, urging the government to provide greater clarity and guidance to pension trustees to facilitate their ability to pursue the best outcome for their members. Climate change was also a focus: we engaged with the UK government on changes to its climate policy, and highlighted issues that could hinder client adoption of green gilt issuance.

Enhancements have been made to Insight's stewardship practices during the year, including an update to our Stewardship Policy, which we believe now better describes why and how we engage, including how we escalate issues where necessary. Our ESG engagement themes in 2023 included climate change, water management and diversity and inclusion. We completed 148 dedicated ESG engagements, while the majority of the 984 total engagements conducted by our research analysts also included some form of ESG dialogue. In this report, we share details of our engagements, including a range of case studies.

Regarding the development of our research capability and proprietary ratings, we introduced the Prime net-zero alignment framework in 2023. These are designed to allow us to compare the alignment of corporate issuers, supporting our engagement priorities and investment strategies with specified net-zero objectives. Our Prime ratings, and impact bond assessments, continued to support our work to identify key ESG risks and tackle greenwashing.

We continue to innovate and develop our responsible investment practices and welcome dialogue with our clients: if you wish to discuss the issues raised in this report with Insight, 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.

1 Purpose, strategy and culture

Insight's misson, 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 focuses 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
Outcomes	• Key outcomes in 2023 include: – A revised Stewardship Policy to reflect the scope and approach of our stewardship, and how we engage with issuers and on systemic issues – A new engagement escalation process to enable effective monitoring of progress and action against engagement objectives set – Updated approaches to ESG integration and engagement in key product areas – Active engagement on major issues with direct relevance to our clients, with policymakers, peers and other stakeholders – An extensive engagement programme with debt issuers – A net-zero approach embedded in two Responsible Horizons strategies, building on Insight's new Prime net-zero alignment framework

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

Insight's 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. We believe that our emphasis on certainty, a dimension largely neglected by the industry, provides investors with an improved investment experience, resulting in a more secure retirement or more confidence in their ability to acquire specific assets in the future. Furthermore, we tailor portfolios directly to clients' desired outcome rather than investing in generic products that benefit the manager more than the investor, further enhancing the chances of success.

We are committed to prioritising our clients' interests above all else 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, so is working in partnership with our clients and their advisors. 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 official and regulatory bodies to represent their interests and help find solutions that balance their benefits with those of society at large.

Aligning 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 shares. By giving our employees an economic stake in the business we help align their interest with those of the other stakeholders.

As responsible stewards of society's savings, we also view the communities in which we operate as stakeholders in our business and believe we have responsibilities to them and the world more broadly. This starts with ensuring that our investment processes effectively consider financially material environmental, social, and governance (ESG) risks and opportunities within relevant strategies. We also manage portfolios that go beyond this for clients who have asked us to support their sustainability outcomes.

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. An environment where employees can speak up to share their views or challenge others' views. 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 fields 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

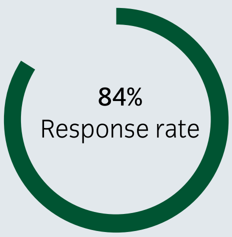
Insight is a place where everyone is encouraged to share their views. We think differently and want to challenge the status quo to ensure we do the best job for our clients.

Insight's culture is underpinned by the following core values:

1. Teamwork
2. Collaboration
3. Accountability
4. Client focus
5. Continuous development

Employee engagement survey results 2023

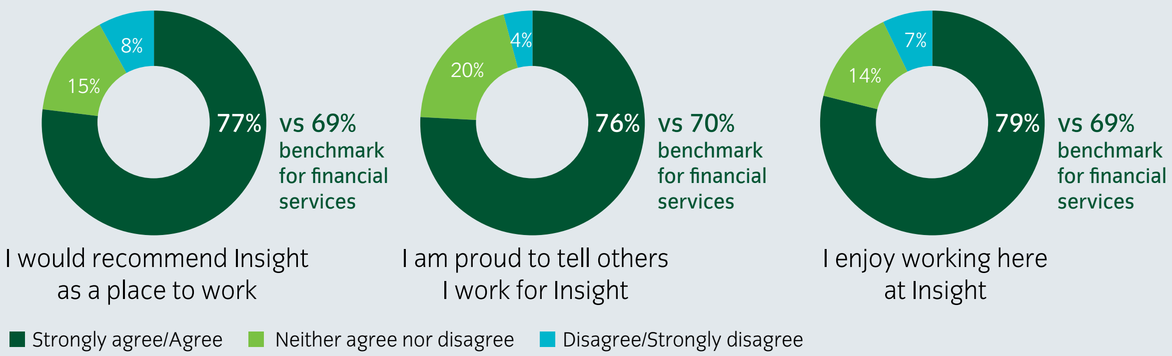
We work together as a stable team in the interests of our clients and our staff are proud and passionate to work for Insight. As evidence of this we highlight below the results from our anonymous, voluntary engagement survey[1] in Summer 2023.



Overall engagement

77%

Engagement factors



While there remain areas where we want to improve, our overall engagement remains very strong and aligned with other high-performing UK companies.

The results of the employee survey are debriefed to the EMC, and an action plan has been created to address feedback from colleagues.

[1] Source: Karian and Box, Insight employee survey, Summer 2023. The financial services benchmarks incorporate data from more than one million survey responses in 15 financial services businesses, including retail banks and mutuals.

Nurturing an inclusive, positive culture: essential for leadership in investment management

We believe that well integrated, diverse teams deliver better outcomes. Our mission is to ensure that Insight continues to cultivate our culture of inclusion where people with different perspectives and backgrounds can thrive and collaborate.

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 for our clients. Our strength comes from our exceptionally talented colleagues globally who contribute daily to our success through a variety of perspectives, backgrounds, and cultures.

We believe that a culture of belonging, where employees feel seen, heard and represented fosters high performance. We strive to create an ego-free and collaborative environment where everyone is held accountable, but success is shared collectively. An environment where employees can speak up to share their views or challenge others' views. We encourage continuous improvement at the individual level as well as the business level and make it a point to learn from our mistakes. High performance for us means putting the clients' needs first, whilst consciously managing risk and engaging our employees. Therefore, maintaining and improving our high performance culture is at the heart of our DEI approach.

In a performance-driven business like ours, a culture of inclusion has been, and continues to be, critical to Insight's success. Ensuring our people have the confidence to speak up, share their ideas, be heard and contribute to problem-solving is at the core of how we add value to our clients. Our goal is to ensure everyone at Insight is part of our DEI Programme. In recent years we have taken steps to strengthen our culture of inclusion and broaden the diversity of the Insight team. For example, colleagues from under-represented and minority groups have set up Affinity Groups which operate firm-wide to build community within the firm and shine a spotlight on ways we can further improve their employee experience. These grassroots groups are supported by various members of the firm's EMC who have stepped forward to sponsor and advocate for the development of these employee-led groups.

We have also strengthened our recruitment processes and are working with our external partners in order to address the societal inequities that can make it more challenging for talented people from disadvantaged backgrounds to break into our industry. This is already showing up in our recruitment results.

Our DEI strategy emphasises three focus areas: Our People, Our Culture and Our Reputation. Our activities seek to attract, retain and engage a diverse workforce and are supported by appropriate training and effective governance. As responsible stewards of society's savings, we also view the communities in which we operate as stakeholders in our business and believe we have responsibilities to them and the world more broadly.

Insight's EMC provides oversight of the firm's DEI strategy. The strategy has been developed and is led by a dedicated DEI Committee which includes Insight's CEO as a member. DEI training is provided in various formats including departmental sessions, articles and events including interactive webinars and external speakers such as Paralympian Stef Reid on leadership and broadcaster Samantha Baines on hearing loss.

Demonstrating our approach

We believe a differentiating factor in our approach is the degree of granularity with which we seek to measure how our employees experience our culture. Our analysis includes an engagement survey of employees (see page 8) which asks voluntary diversity-specific questions around characteristics such as sexual orientation and ethnicity. The data collected is anonymised and employee information remains confidential. The information allows us to contrast responses at a firm level with the responses of a specific population defined by a diversity characteristic, i.e. gender, ethnicity or sexual orientation.

DEI strategy: measurement priorities and results

01 Precise data to drive approach

Address skew in talent modelled against available pool

Protect against unconscious bias

Our focus is on data collection, comparison with an appropriate benchmark and analysis of trends in data that inform our DEI strategy

Informing our strategy

- We foster engagement and encourage trust to support data disclosure by employees
- Disclosure rates/data types are compared to a benchmark (Investment Association)
- HR analysis identifies data trends in segments of the Insight population to inform action and future priorities
- Trends include rates of attrition by category and department; take up of benefits; sickness and absence, early talent progress
- We identify less readily collected data types to understand how we can improve (e.g., adding socio-economic background)

02 Clear framework to guide objectives

2023

- Enhance communication
- Employee engagement
- Data on socio-economic diversity

Action plan

- Supportive benefits programme and data-led recruitment
- Training, guidance and awareness raising for our Affinity Groups
- DEI training and support for communication programme
- Relevant charters, commitments and external partnerships
- Ongoing evaluation through focus groups, leadership roundtables and engagement surveys

03 Prioritisation to focus effort

Evidence-based recruitment*
Recruitment process upgrade
Structured interview guidance
Blind interviews for early talent

Increased support for Affinity Groups
Executive sponsorship
Support for awareness and events

DEI training for all
Regular refreshers
Unconcious bias-training
Explaining Insight's programme

* Meritocracy is at our core: once we have a balanced shortlist we encourage managers to choose the best candidate.

04 Ongoing measurement to track progress

1. Data disclosure

6 out of **7** Insight disclosure metrics align to IA's* **50-80%** banding

- Age disclosure **100%**
- Socio-economic disclosure **47%** (vs **40%** average via IA)

2. Appointments

	2021	2023
Females	24%	34%
Ethnic minorities	32%	42%

3. Employee engagement

86% of our LGBT+ community said Insight was a place where people from diverse backgrounds can succeed (**+30%** on **2021**)

* The Investment Association, Equity, Diversity and Inclusion Data Survey, published November 2023.

Recruitment and DEI: blind interviewing

Insight's Global DEI Policy sets out that Insight will manage equitable, unbiased and objective employment practices that enable a culture of inclusion and appreciation of difference. More information on this Policy is provided in **Section 5**.

An example of Insight practices is our approach to blind interviewing applicants for Insight's graduate scheme.

Candidates are initially screened by our HR team who review the knowledge and skills evidenced in candidate applications to both align applicants to specific role opportunities and to make the initial selection decision to progress individuals to interview stage.

The HR team organises a representative group of Insight colleagues to participate as interviewers in the selection process.

Candidate applications and personal details (e.g., candidate names) are retained in HR and are not shared with interviewers until just prior to meetings with candidates. This is done to control any potential unconscious biases predetermining candidate preferences.

At interview, a range of interviewers assess specific individual competencies in a framework provided by HR against which an applicants' knowledge and skills are assessed to objectively determine ability and suitability to perform specific role duties.

The scoring provided by individual interviewers is aggregated and group discussions are held to review all interviewers scoring ahead of selection recommendations being made. This tests and evaluates the interviewers' evidence to calibrate the scoring provided and remove any outliers that may skew relative positioning of participants.

This process seeks to limit the effect of biases and control the influence of any one interviewer in determining candidate outcomes.

In 2023, Insight continued to build out its rolling data disclosure initiative which aggregates employee data across seven core DEI metrics. The characteristics that Insight selected for the project are based on those on which the Investment Association (IA) reports at an industry level to allow for benchmark comparison.

CONDUCT

Insight's Conduct Risk Framework

At Insight it is important for employees to maintain the trust of all Insight stakeholders, put clients' best interests at the heart of everything Insight does and demonstrate ethical conduct at all times.

Insight's Conduct Risk Framework encompasses Insight's culture and value statements among other considerations such as regulatory accountability regimes and Insight's Code of Conduct. The Compliance Team undertakes ongoing monitoring of the Insight group's activities to ensure they are being carried out in accordance with the core regulatory principles and rules. Insight's ongoing monitoring framework includes various conduct-related activities and reviews. Key policies related to the mitigation of conduct risk within Insight include:

- Insight's Code of Conduct,
- the Speaking Up Policy,
- the Conflicts of Interest Policy (for more information please see **Section 3**), and
- other conflict and conduct-related policies.

Insight and BNY Mellon have established, implemented and maintained appropriate policies and procedures that reinforce Insight's values and are designed to mitigate conduct risk, achieve good client outcomes and meet regulatory requirements.

Insight's Conduct Risk Framework also includes arrangements to ensure that FCA's Consumer Duty requirements are met and good outcomes are being achieved for any retail customers that access Insight products. These arrangements include Consumer Duty training, regular monitoring via Consumer Duty metrics and a Consumer Duty Framework Policy setting out the processes, controls and governance arrangements Insight has in place to ensure good outcomes are achieved for retail customers.

Insight requires all employees to abide by Insight's Code of Conduct, which is communicated to all employees via a number of policies and relevant training issued to the business. Each year all employees are required to confirm their compliance with the Code and related policies by completing an online attestation. Employees are required to confirm their obligation to uphold the company's values and to do business in full compliance with the Code.

Any breaches of the Code, however identified, are raised with the Compliance Team to investigate, and respond accordingly including potential escalation to the Insight Conduct Panel (ICP) and/or the Ethics Office through management information. The ICP has been set up to oversee the management of conduct risk within Insight. The ICP, which meets quarterly, includes senior managers from legal, compliance, risk and HR teams. Where the Ethics Office is involved, the Compliance Team works closely with them in investigating and administering potential violations.

Violations are assessed on a case-by-case basis depending on the individual circumstances to determine the materiality of the violation. There are various actions that could be taken such as:

- providing reminders to individuals or groups of individuals on the Insight values or various corporate policy requirements that must be adopted,
- escalating conduct risk issues or trends to relevant Insight managers and/or the EMC for further review and action determination,
- incorporating specific conduct risk issues in individuals' corporate objectives requiring personal action to be taken to address these issues,
- taking disciplinary action against individuals in accordance with Insight's disciplinary procedures, and
- reducing an individual's variable remuneration.

1.2 ACTIVITY

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

In 2023 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 how our governance and business structures maintain 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.

INSIGHT INVESTMENT – UNIVERSITY OF OXFORD GREENING FINANCE PRIZE

RESEARCH PRIZE FOR GREEN FINANCE

GREENING FINANCE PRIZE OUTSTANDING RESEARCH 2024

GREENING FINANCE PRIZE BEST FIXED INCOME PAPER 2024

GREENING FINANCE PRIZE OUTSTANDING SERVICE 2024

SEPARATING INVESTMENT REALITIES FROM THE RHETORIC

We believe that we must advance collective understanding of the relationship between commercial activity and environmental change. At this time of significant evolution in markets and investment practice, it is vitally important to act on evidence and ensure that we pursue rational investment decision-making that will deliver long term sustainable outcomes. This requires scientific scrutiny to identify the investment realities from the rhetoric.

In our view, rigorous academic research is essential to this. Researchers play an important role in ensuring the proper functioning of markets, not only in areas of innovation in nascent fields, but also by encouraging accountability and transparency among issuers and investors.

Before making investment decisions with assets that our clients have entrusted us to manage on their behalf, we seek understanding by conducting rigorous analysis to support our efforts to invest consistently and in a precise way.

In our view, decisions relating to environmental factors and sustainability are integral to quality investment decision-making and should be treated no differently. We must better understand how environmental change influences finance and investment, and how economic and financial systems can contribute to achieving global environmental sustainability.

To attain this understanding, the investment management industry urgently needs a broad and deep bank of academic evidence on the implications of incorporating environmental factors in investment decision making. This is essential to ensure the delivery of sustainable financial returns for investors and to make progress on environmental goals.

The Prize is run by the University of Oxford, judged by a panel of independent experts and supported by 16 responsible investment networks responsible for nominations. It seeks to recognise research that demonstrates rigorous financial analysis and which has practical applications for investment managers while drawing attention to the academic work which helps society to better understand how environmental change influences finance and investment, and how economic and financial systems can contribute to achieving global environmental sustainability.

To support this, starting in 2023, Insight Investment funded the University of Oxford to deliver a Greening Finance Prize aimed at individuals or organisations in the not-for profit academic research sector. It seeks to encourage and recognise outstanding academic research which supports expansion of the available material which ultimately underpins the proper functioning of financial markets and the evidence required for long term investment decision making for clients.

As well as a general prize for outstanding research, from 2024 the Prize Panel will assess specific research conducted within fixed income, through the Green Finance Fixed Income Paper Prize, which is for research papers that examine the role environmental sustainability plays in fixed income investing. Areas include, but are not limited to, the following: ESG factors that are financially material for fixed income investors, instrument versus portfolio-level financial performance, the role of labelled bond issuance, bondholder engagement; asset-class distinctions (e.g., corporate versus sovereign investments), bond duration and investment time horizons and their relevance to ESG, and approaches to management of data/disclosure gaps.

Further details of the Prize can be found here, and 2023 winners are listed here.

1.3 OUTCOMES

THE OUTCOMES FOR OUR SPECIFIC STEWARDSHIP ACTIVITY IN 2023 ARE OUTLINED THROUGHOUT THIS REPORT: PLEASE SEE **SECTIONS 4, 6, 7 AND 9** IN PARTICULAR. IN THIS SECTION WE HIGHLIGHT SOME OF OUR SPECIFIC INITIATIVES.

HOW OUR MISSION AND INVESTMENT BELIEFS GUIDE OUR STEWARDSHIP, INVESTMENT STRATEGY AND DECISION-MAKING

These initiatives in 2023 reflect how our mission and beliefs have guided our operations as a business and investment manager.

- **Revised our Stewardship Policy** to describe the scope of our stewardship activity, our approach to stewardship, and how we engage with issuers and on systemic issues. **See Section 5** for details.
- **Implemented a new engagement escalation process** to enable effective monitoring of progress against engagement objectives. Where we see a lack of progress for financially material objectives, we may choose to progress the issuer through these stages. See **Section 9** for more details.
- **Updated our approaches to ESG integration and engagement in key product areas** to ensure targeted improvement in line with our clients' expectations. These included enhancements to our approaches in asset-backed securities (ABS) and secured finance assets, US municipal bonds, and select systematic fixed income strategies. See **Sections 7 and 9** for details.
- **Actively engaged on major issues with direct relevance to our clients, with policymakers, peers and other stakeholders, often achieving clear result**s, on topics such as climate change and the future of UK defined benefit pension funds. See **Section 4** for more details.
- **Maintained an extensive engagement programme with debt issuers** and we raised ESG issues and actively encourage improvement in practices, conducting 984 engagements with debt issuers in 2023, of which the majority included some form of ESG dialogue. These included 148 engagements focused solely on ESG issues. See **Section 9** for more on our engagement activity.
- **Embedded a net-zero approach in two Responsible Horizons strategies**, building on Insight's Prime net-zero alignment framework, which categorises companies according to their commitment to or alignment with net-zero principles. **See Section 6** for more information.

EVALUATING OUR EFFECTIVENESS IN SERVING THE BEST INTERESTS OF CLIENTS AND BENEFICIARIES IN 2023

How we have succeeded

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

- In our most recent client survey, 95% of respondents said they would recommend Insight. Of those asked to respond to the statement 'Insight consistently demonstrates high stewardship standards regarding my investments', 87% (147 respondents) agreed, with most of the remainder expressing no view.
- Investment consultants rate Insight very highly. In 2023, Insight was ranked in first place by UK investment consultants for Overall LDI Quality for the thirteenth consecutive year; and first for Fixed Income Overall Quality. Insight has been ranked first for Fixed Income Overall Quality in eight of the last 10 years.
- Institutional UK clients rate Insight very highly for service. Coalition Greenwich confirmed Insight as a Quality Leader for UK Investment Management Service in 2023 and we ranked first for the highest average client service performance in research conducted by Research in Finance, based on responses from UK trustees, pension scheme managers and consultants.

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 firm 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 2023, 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.
- Support on climate change-related goal-setting, disclosures and reporting.
- A forward-looking plan to tackle climate change through our investment activities.

We responded to this feedback through 2023 and are seeking to build further on it in 2024. 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	• 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	• There is a formal process by which the terms of reference for IROC and its sub-groups are reviewed at least annually. The terms were reviewed in 2023 and there were no material changes.
Resources	Resourcing of our responsible investment capabilities	• 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	• We only rely on third-party providers for stewardship services when necessary, such as specialist data providers and proxy voting services.
Incentives		• Performance appraisals of credit analysts, portfolio managers and other relevant specialists are linked to their ESG-related responsibilities. • All Insight staff have performance objectives linked to responsible investment as well as DEI goal.

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

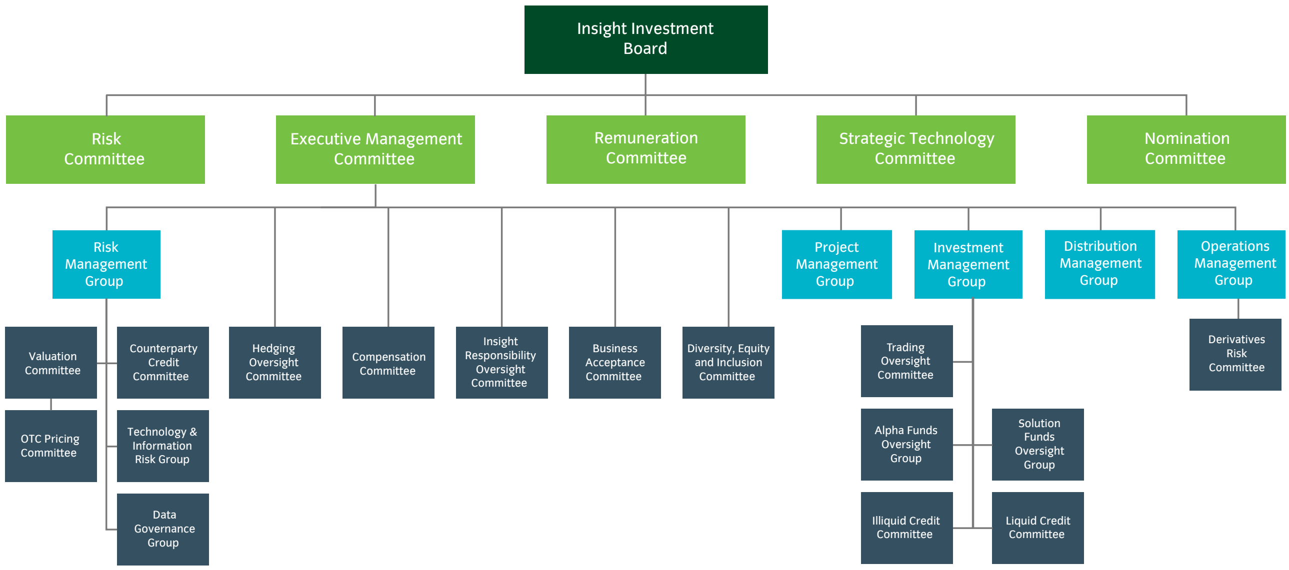
Insight is part of BNY Mellon. BNY Mellon operates a multi-boutique asset management model in which each investment management firm enjoys investment autonomy. The ownership structure works well for Insight's clients and its staff: it encourages an entrepreneurial and innovative approach to investment; 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.

Figure 1: 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 2023.

Insight Responsibility Oversight Committee (IROC)

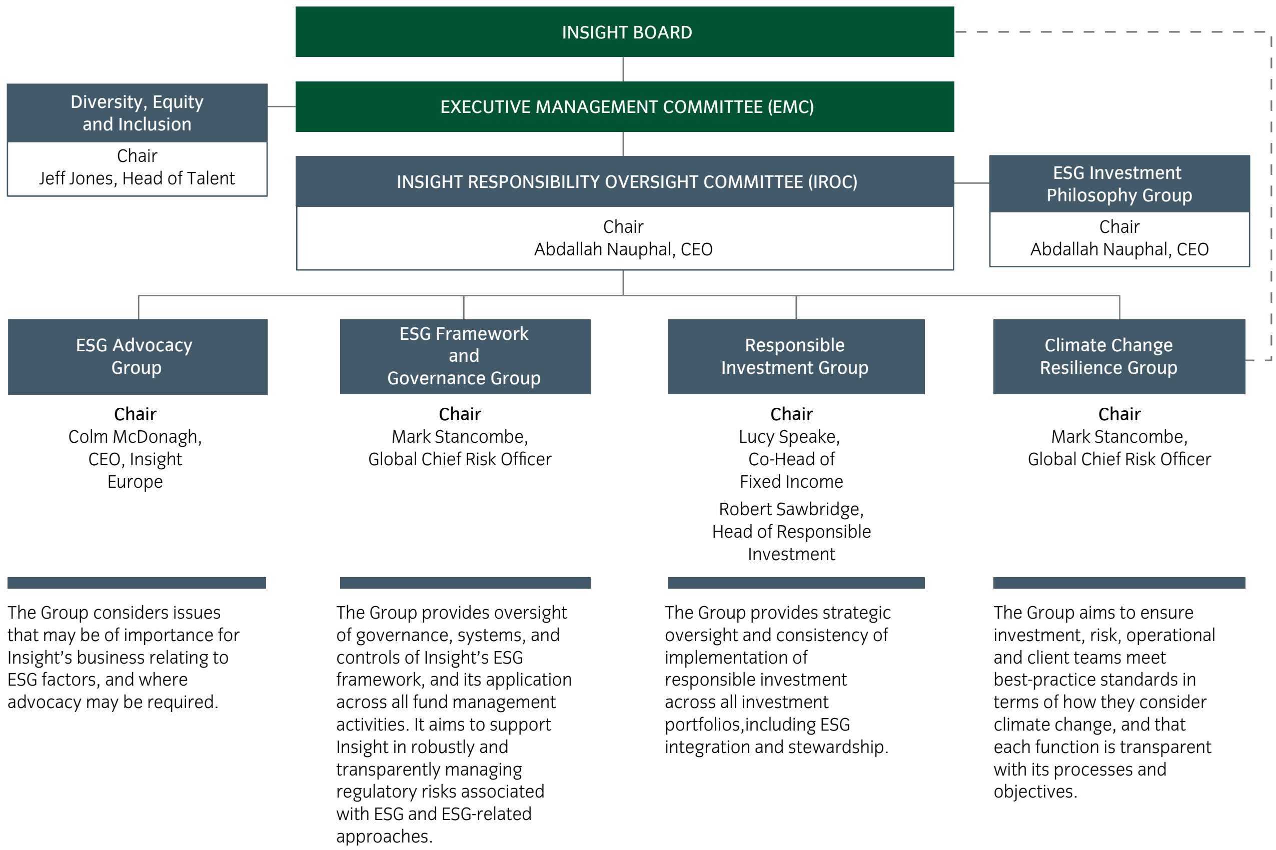
The IROC is the principal governance group with oversight and accountability for responsible investment across investment (covering all Insight's investment activities, including our risk management and fixed income AUM), governance, philosophy, advocacy, operations and technology, commercial development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

Figure 2: 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)
- Global Chief Risk Officer (CRO)
- Global Chief Compliance Officer
- Co-Head of Fixed Income
- Head of Responsible Investment
- Global Head of Distribution

Climate Change Resilience Group

The Climate Change Resilience Group (CCRG) is chaired by the Global 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 CCRG 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 CCRG'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:

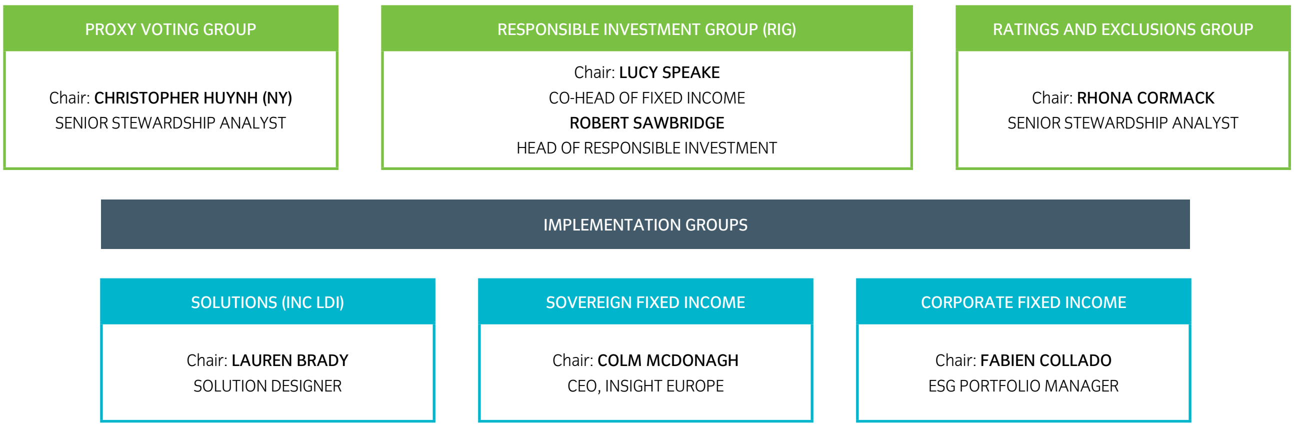
- **Effectiveness of ESG integration:** Setting governance standards for ESG integration across Insight's investment capabilities, including the application of proprietary ESG ratings and engagement activity.
- **Responsible investment solutions:** Setting portfolio investment guidelines for responsible investment solutions (segregated and pooled) including the application of regulatory classifications (e.g., the EU Sustainable Finance Disclosure Regulation, or 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.

Figure 3: 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 if they are considered to present significant reputational risks for Insight and our clients (see **Section 11** for more information on our escalation process).

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 semi-annually, 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.

Equity holdings are limited at Insight, with equity assets accounting for less than 1% of our AUM. 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. The terms were reviewed in 2023 and there were no material changes.

DEI Committee

Insight's DEI Committee is the key internal group responsible for the oversight of the development and implementation of the Insight global diversity and inclusion strategy. These responsibilities can be divided into three broad areas:

Advisory

- Development and oversight of Insight's diversity and inclusion mission, strategy, communication plan, targets and policies.
- Articulation of our DEI targets and providing oversight of progress versus targets via quarterly reporting.
- Oversight of hiring practices to attract diverse talent and eliminate potential obstacles to achieving this at all levels.
- Oversight of our career progression programme and corporate policies to attract and retain a diverse talent base.

Delivery

- Implementation of DEI objectives, and the delivery of initiatives.
- Report to the business on priorities and progress against goals.
- Develop a firm-wide communication plan.
- Employee representative and conduit to senior leaders to share feedback and provide perspectives.
- Work with the EMC to influence firm-wide improvements and resolution of DEI issues.

Advocacy

- Increase the visibility and understanding of Insight's DEI strategy, approach and targets.
- Champion the DEI strategy and sponsored activities across the business.
- Ensure DEI is included in our team meetings, offsites and strategy sessions.
- Answer questions and gather feedback to be brought back to the Committee.

In 2023, the Committee approved Insight's DEI Policy. More information is provided in **Section 5**.

2.2 RESOURCES

RESOURCING OF OUR RESPONSIBLE INVESTMENT CAPABILITIES

We believe that resourcing of responsible investment capabilities is 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 VI** 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 285 investment professionals, a breakdown of which is shown below. Of our investment professionals, 91 are based in the US.

Across the business, we have identified people across key teams, equivalent to 47 full-time employees (as at February 2024), for whom responsible investment and stewardship activities are a material aspect of their roles and objectives. More details are provided in **Appendix VI**.

Investment team	Total	Average years' industry experience	Average years' tenure at Insight
Fixed income	169	19	12
LDI	64	18	10
Multi-asset	15	19	9
Currency	22	20	13
Other	15	19	10

As at 31 December 2023. Includes non-UK employees of Insight North America, which provides asset management services as part of Insight.

RESPONSIBLE INVESTMENT TEAM

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.

- **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.
- **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.

Alongside Robert, David, Rhona and Chris, a team of Quantitative Researchers, ESG Analysts, an ESG Investment Specialist, a Senior ESG Solutions Specialist and an RI Oversight Analyst work to directly support Insight's responsible investment efforts.

- The 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.

Figure 4: Responsible Investment Team[2]

Robert Sawbridge
Head of Responsible Investment

Investments

David McNeil
Head of Responsible Investment Research and Innovation

Smita Pande[5]
ESG Analyst

Milin Nagar[5]
ESG Analyst

Fabien Collado
ESG Portfolio Manager

Jorg Soens
Senior ESG Solutions Specialist

Annabel Jennings
ESG Solutions and Impact Specialist

Sheena Schyma[3]
ESG Investment Specialist

Ruth Hannigan[3]
ESG Portfolio Analyst

Camilla Bonardelli (Dub)[3]
Responsible Investment Oversight Analyst

Stewardship

Rhona Cormack
Senior Stewardship Analyst

Christopher Huynh (NY)
Senior Stewardship Analyst

Vanaja Indra[3]
Head of Public Policy

Quant and Data

Tudor Thomas[4]
Head of Fixed Income Quantitative Research

Alex Verissimo[4]
Quantitative Researcher

RESOURCING INSIGHT'S INVESTMENT TEAMS

Fixed income

Insight's Fixed Income Group is responsible 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.

Figure 5: 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: • 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: • High ESG risk issuers • Significant ESG changes • Thematic issues • Research requirements • Engagement outcomes • Process enhancements
Meeting frequency	Monthly	Monthly

Because 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 45-strong credit analysis resource. Insight's credit analysis function has an average of 18 years' industry experience and nine years' tenure at Insight[6]. 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.

[2] As at 31 December 2023. (NY) New York, (Dub) based in Dublin. [3] Employees who focus on responsible investment but report into other teams. [4] Annotates employees who spend c.50% of their time on responsible investment but are not dedicated responsible investment resource. [5] BNY Mellon employee, based in Pune, India. [6] As at 31 December 2023.

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 develop the responsible investment approaches for our clients across different aspects of our clients' risk management solutions in a coherent way. The Group aims to build materials for internal and external use and highlights areas that need further attention.

In 2023, the Group's activities included:

- Continuing to develop/meet requirements for TCFD reporting and disseminate this information internally and to clients and consultants. This included:
  - enhancing our TCFD reporting to include money market funds and Network Rail bonds
  - participating in working groups to develop the approach to TCFD within LDI such as the Investment Consultants Sustainability Working Group (ICSWG)
  - updating our TCFD reporting for gilts to align with the latest Partnership for Carbon Accounting Financials (PCAF)/ICSWG recommendations
  - contributing to reporting on our stewardship role in supporting sustainable markets and client/beneficiary interests (for more information please see **Section 4**)
- Input to the evolution of the Responsible Investment Team's engagement approach and how we report this for clients, particularly with respect to counterparty engagement and sovereign engagement. This included:
  - contributing to the framework used to track progress of counterparty engagement and report on this to clients, and
  - disseminating information on our sovereign engagement activities internally and externally.
- We produced our inaugural responsible investment in LDI report for clients and consultants, summarising our approach and work in this area.
- We considered use of climate stress testing in respect of gilt/LDI portfolios. This included summarising the results of our climate scenario analysis in our responsible investment in LDI report.

Our goals for 2024 include:

- enhancing our reporting for clients and their advisers where relevant (e.g., to reflect industry-wide updates in our TCFD reporting and inputting to the development of Taskforce on Nature-related Financial Disclosures, or TNFD, reporting);
- working internally, and with industry bodies, to assess the relevance of derivatives in relation to reporting on climate exposures and potentially other ESG risks; and
- contributing to training, communication and development of responsible investment in risk management solutions both internally and externally – including collaboration with internal and external groups to help develop best practice (e.g., in relation to sovereign engagement).

Stewardship and responsible investment 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 Programme 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 to provide a comprehensive source of information covering relevant issues to help respond to questions from clients and their advisers clearly and consistently.

As part of our commitment to being a leading provider of ESG solutions in the fixed income space, we understand the need to ensure ESG principles are understood and embraced throughout our company. We aim to build a high level of ESG literacy and help our people navigate a complex set of regulatory expectations.

In 2023 Insight rolled out two key mandatory e-learning programmes, the ESG Fundamentals Certificate and an ESG Advanced Certificate. We worked closely with our chosen partner, Fitch Learning, and modules were determined depending on the employee's role. The modules included ESG factors, market and engagement, ESG integration into both investment analysis and portfolio management.

The advanced programme will also develop further in 2024 into a series of masterclasses supported by our own ESG experts and the external ESG faculty in Fitch Learning. This programme will include deeper insights into areas such as climate, biodiversity, ESG data metrics, etc, but also include training on our own proprietary research tools and methodology. This training will be aimed at our investment and client-facing teams and also to ESG champions who are based across our business. The sessions will aim to facilitate knowledge, discussion and innovation on an ever-changing ESG landscape.

In addition to our new ESG training programme, we continue to support and encourage our key investment and client professionals to undertake the CFA Certificate in ESG Investing.

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

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 research capabilities establish new processes to complement and inform existing stewardship-related activities. As detailed throughout this report, 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 LONG-TERM INCENTIVE PLAN (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.

  The organisational priorities 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 incentives.
- **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 investment decision-making or the management of portfolios which aligns with the concept of effective stewardship.

  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.

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 have incentives aligned to the interests of all our stakeholders.

LTIP awards typically now vest pro-rata over three years (from 2024[7]) 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 at least 50% 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.

[7] For 2024 we have updated our LTIP payment profile from a three-year cliff-vest to a three-year pro-rata.

3 Conflicts of interest

Insight manages conflicts of interest by putting 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 2023.

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 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

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 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 in 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
- 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 can have different implications in each jurisdiction 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.

STEWARDSHIP-RELATED CONFLICTS AND MITIGATION

During 2023 we enhanced our existing 'ESG Marketing' structural conflict in our conflicts register to include overall distribution considerations. The examples below set out hypothetical conflict scenarios and the steps that we have taken to mitigate those potential conflicts.

- **ESG Marketing and Distribution:** 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. Additionally, Insight could consistently favour new prospects over existing clients in the performance of its client communication and distribution duties when communicating new proposed ESG investment criteria that have not been finalised and notified to existing investors in a pooled fund.
  - 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.
- All pre-shareholder communication on proposed changes to management of ESG strategies will not be included in responses to requests for interest (RFIs) or requests for proposals (RFPs) unless a contemporaneous pre-shareholder notification to existing shareholders is provided.
- Post-shareholder communication of any potential change to ESG strategies, details of proposed changes can be included in RFIs, RFPs or new client prospect conversations with sufficient disclosures that they are proposed changes subject to shareholder approval.

Examples of existing stewardship-related conflicts and mitigation

- **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 2023 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 – Sustainable finance – Options for defined benefit pension schemes – Central clearing for UK pension funds • In terms of our effectiveness in promoting well-functioning markets, we believe our engagement on these issues has led to a positive impact.

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 other investors as necessary. We engage with regulators and policymakers to encourage market reforms that deliver greater security for investments and that reduce vulnerabilities in financial markets.

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. The ESG Advocacy Group discusses certain ESG-related topics including prioritisation and policy engagement strategy.

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 Mandatory Programme Steering Committee is responsible for overseeing regulatory change projects, and the Compliance Team reports 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 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.

4.2 ACTIVITY/OUTCOMES

INSIGHT ENGAGES WITH POLICYMAKERS, TRADE ASSOCIATIONS AND MARKET PARTICIPANTS TO PROTECT OUR CLIENTS' INTERESTS RELATING TO THE MANDATES WE MANAGE, FROM ISSUES ARISING FROM EITHER REGULATORY OR MARKET DEVELOPMENTS. 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 many of these issues has led to positive outcomes.

The activity outlined in this section is representative and not comprehensive. In 2023, Insight responded to a wide range of consultations, provided input to responses from industry bodies, and engaged in other ways on market-wide and systemic risks.

CLIMATE CHANGE

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:

- **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 and questions on approach to net zero (more information is provided in **Sections 7 and 9**).
- **Highlighting key issues to the UK Transition Plan Taskforce (TPT) on its disclosure framework:** TPT published a consultation on its disclosure framework and implementation guidance for the private sector. In our response in early 2023, we underlined our support for the overall framework, but highlighted the challenges of producing group-level transition plans for companies operating across multiple jurisdictions, the importance of interoperability with existing frameworks where disclosures overlap in many areas, and the importance of appropriate sequencing in disclosure requirements – for example, ensuring that wider corporates are required to disclose metrics before financial institutions (which would rely heavily on other corporate disclosures).
- **Participating in a consultation to assess sovereign debt issuers on climate change:** The Assessing Sovereign Climate-Related Opportunities and Risks (ASCOR) initiative issued a consultation outlining a common basis to assess individual countries' climate change approaches, and seeking to reinforce public disclosures to help investors to understand action and progress. We responded to the consultation and attended a workshop for practitioners. We are very supportive of this initiative and provided detailed feedback on the indicators, including the suggestion of an additional indicator for issuers of sovereign green or sustainability-linked bonds, and linkages to a sovereign's overall net-zero strategy.

SUSTAINABLE FINANCE

Insight has engaged in extensive discussions and responded to a range of consultations focusing on issues related to sustainable finance, including proposals on disclosures and the labelling of investment products with sustainability features, and initiatives to tackle greenwashing.

- **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, broadly supported the proposals and raised 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.

The FCA published a policy statement in November 2023 setting out the final SDR rules. We were pleased that the FCA took on board industry feedback in creating a robust regime. In particular, we were pleased with the introduction of a new 'Sustainability Mixed Goals' label, which was one of our primary feedback points. This allows for products to be invested into more than one sustainability labelled category and still receive a sustainability label, while disclosing the percentage of assets in each labelled category. This is now inclusive of all asset classes and strategies and makes it possible to build robust and diversified labelled products within the fixed income markets where the universe of assets eligible within the individual labelled categories may not always be broad enough.

We were also pleased with the following improvements in the final rules which were also aligned with the views that we expressed in our feedback:

- The 'Sustainability Impact' label is no longer restricted to the additionality concept and public market investments are also now included, making products with this label more workable for retail investors.
- The flexibility introduced into the naming and marketing rules are sensible and take on board some of our concerns around the factual use of these terms.
- The rules strike a healthy balance between encouraging stewardship while not overprescribing how this should work, again allowing for the different nature of stewardship activity in fixed income mandates.
- The initial description of primary versus secondary channels for investor contributions was removed, allowing firms the flexibility to use appropriate channels to meet the sustainability objective of labelled products.

- **Offering input to the European Securities and Market Authority (ESMA) on fund names using ESG or sustainability-related terms:** ESMA issued a consultation on this topic, to which we responded in early 2023. The proposals set out criteria for funds to use specific terms within their names, such as minimum allocations to sustainable investments as defined by SFDR for a fund with the term 'sustainable' in its name. We broadly supported the proposals, and highlighted some issues for ESMA to consider. ESMA has announced a brief summary of the rules it expects to publish. Based on this, we note that some elements of the concerns we expressed have been addressed but not as fully as we would have desired.
- **Providing input to ESMA consultation on SFDR revisions to principal adverse impacts (PAIs) and disclosures:** ESMA consulted on revising existing disclosures, revising PAIs to include social factors and clarifying treatment of derivatives. We responded to this consultation and fed into European Fund and Asset Management Association (EFAMA) feedback on this. There were elements of the consultation (e.g., on derivatives) on which the industry struggled to form a cohesive view, but we played an important role contributing to this debate in certain trade association discussions. The main message from the industry was to caution ESMA against going ahead with the changes given that the European Commission was going to conduct an overall review on SFDR. However, ESMA was not sympathetic to that view.
- **Providing feedback to the European Commission review on SFDR:** Unlike the ESMA review on SFDR (see above) which was focused on select detailed rules, the Commission's review aimed to look at SFDR overall and from a high-level perspective.[8] In order to tackle greenwashing risk they put forward ideas for different labelling regimes. We were pleased that the European Commission was open to a labelling regime not too dissimilar to that of other jurisdictions, including the UK and US. We responded to the consultation and were vocal in some trade associations' discussions on this topic.

OPTIONS FOR DEFINED BENEFIT PENSION SCHEMES

In 2023, Insight has been fully engaging with the UK government to make it easier for defined benefit pension schemes to pursue the best options for their members.

In April we responded to the Parliamentary Work and Pensions Committee response on DB pension schemes, and then in September, we responded to a call for evidence from the DWP on options for defined benefit schemes and met with the DWP to discuss our ideas.

In our responses we explained that with the right policy support, we are presented with a once-in-a-generation opportunity to expand the important role played by DB pensions schemes in a manner that could better support the UK economy and productive investments, while ensuring the best possible outcome for members and retaining a robust gilt market. We advocated for the following:

[8] Source: Targeted consultation on the implementation of the Sustainable Finance Disclosures Regulation (SFDR), European Commission.

- greater support from policymakers and necessary changes made to regulatory, legislative and tax framework to allow a prudent mechanism for surplus extraction that would benefit members, sponsors and the UK economy;
- appropriate changes to the tax regime so that refunds of excess surplus are not faced with a punitive tax rate;
- greater clarity and guidance that pension trustees can continue to run on pension schemes if managed responsibly, rather than driving schemes to conduct an insurance buy-out as the only viable option once affordable;
- an increased level of pension benefits that the PPF guarantees;
- a simplified process for agreeing discretionary increases of members' benefits from excess surplus, particularly at times when inflation is higher than the typical caps that apply to the annual inflation linkage for pension benefits; and
- a deduction in the perceived personal liability to trustees if they choose to run on a well-funded pension scheme.

Our response led to Serkan Bektas, Head of Client Solutions Group at Insight, being invited to speak to a Work and Pensions Committee inquiry chaired by Stephen Timms MP (see video here).

In this hearing, Serkan explained that the sensible and prudent management of risk had given the UK one of the healthiest pensions regimes in the world. And that with many DB pension schemes now in surplus, trustees had the ability to safely take investment risk with that surplus, without impacting their ability to make pension payments which are largely covered with matching assets. He added that improved investment techniques mean the benefits of running on a pension scheme can be pursued without compromising the security of members' retirement income.

Subsequently, we were pleased with Chancellor Jeremy Hunt's Autumn Statement announcement on 22 November and the UK government's response to its earlier consultation. In particular the following points aligned well with our position:

- the government committed to making extraction of surplus easier, with a commitment to consult on the details of this;
- a tax cut was announced on surplus refunds DB schemes to the sponsor from 35% to 25%; and
- the government committed to consult on the possible benefits of a PPF guarantee of 100% of liabilities.

A consultation on the regime for sharing surpluses, and for increased PPF coverage, was opened in February 2024.

CENTRAL CLEARING FOR UK PENSION FUNDS

Background

The European Market Infrastructure Regulation (EMIR) clearing exemption for pension funds was originally provided and retained for over a decade 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

The exemption for pension funds from clearing derivatives, included in the UK's on-shored EMIR, was due to end in June 2023. We supported 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. We engaged in extensive discussions through 2022 and early 2023 with the Treasury, IA and peers in the industry, with a roundtable event in late 2022 allowing a number of large UK pension funds and the Pensions and Lifetime Savings Association (PLSA) to discuss the need to extend the UK pension fund clearing exemption, ideally permanently, with UK policymakers.

On the back of this, we were pleased that the Treasury decided to not only extend the temporary exemption again to June 2025 but also committed to finding a long-term solution to this. This was a significant milestone because this was the first time that the UK diverged from the EU on this issue (as the EU pension fund exemption expired in June 2023). Having achieved the first goal of the UK being able to diverge from EU on this topic, we remain optimistic that we can continue to work with the UK government on pursuing a longer-term objective of making this exemption permanent.

The Treasury issued a call for evidence in November 2023 exploring the idea of making the exemption permanent. Since we initially started advocating on this topic from 2011, we are pleased that the discussion has been re-opened to consider a permanent exemption in the UK, and the gilt crisis of Autumn 2022 did not push this off course. We responded to this consultation and engaged with market participants and trade associations on this topic to support healthy discussion.

While it is difficult to attribute credit to any firm for policy outcomes we are confident in saying that Insight has played a key role in co-ordinating views, providing a platform for UK pension funds to discuss the issue, and in supporting the PLSA in forming its own views in 2022. We believe our close interaction with the Treasury on this issue has had a significant positive impact so far.

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 and outcomes	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 leading to new processes and initiatives for our investment and marketing teams. BNY Mellon audits of Insight investment teams formally include ESG matters. We also provide more information on Insight's internal and external risk management process framework. • **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: a. Understand our clients' reporting needs. b. Generate relevant reporting in a clear and relevant format. c. Review reporting (both the data and the format) internally. d. 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.

In 2023, the Board's discussions and oversight activity included considerations of ESG-related matters such as:

- The Climate Change Resilience Group and its role in providing oversight to Insight's approach to climate change and its applications across fund management activities, as well as its function in delivering a Climate Change Report aligned with TCFD recommendations
- Insight's reporting on its carbon emissions, carbon intensity and energy usage
- Insight's efforts and progress in addressing DEI issues

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, our new Stewardship Policy (see below), our 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 Counterparty Relationship Group (CRG), chaired by Insight's CRO. More information on the CRG 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

Activity within Insight's ESG policy framework in 2023 included 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
- An assessment of external ESG networks in which Insight participates and/or to whom Insight is a signatory
- Managing 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 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 reviewed and refreshed our policies with regard to responsible investment and stewardship in 2023, to ensure they remain in keeping with best industry practice and standards.

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.

In 2023 we enhanced 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

NEW FOR 2023

Global DEI Policy

The purpose of the new Policy, approved in 2023, is to describe Insight's outlook on DEI. It sets out the management approach, expectations and governance arrangements to be adhered to within Insight for managing DEI and enabling Insight to continue to create an open, inclusive and empowering environment in which all our people can thrive.

With this policy, Insight commits to providing equality and equity for all in our employment and will not discriminate on any grounds including gender, gender reassignment, marital status, race, ethnic origin, colour, race, national origin, disability, sexual orientation, educational background, religion, or age. Insight opposes all forms of unlawful and unfair discrimination. Insight will not discriminate because of any other subjective factors and will proactively maintain a culture that values inclusion, meritocracy, openness, equity and transparency.

The Policy covers areas including:

- commitments to DEI;
- how leaders at Insight role-model inclusive behaviours and commit to implementing practices that promote DEI;
- employment practices that enable a culture of inclusion and appreciation of difference; and
- commitments around wellbeing, learning and development, and awareness and engagement.

The Policy will be reviewed at least annually, and must be approved by Insight's DEI Committee and EMC. Acceptance of and adherence to the Policy forms part of every employee's terms of employment.

NEW FOR 2024

Stewardship Policy

We have revised our Stewardship Policy, which outlines the philosophy and approach we apply in our stewardship commitments, to reflect the scope and parameters of our activity. The Policy describes:

- the scope of our stewardship activity,
- our approach to stewardship, and
- how we engage with issuers and on systemic issues.

Our purpose is to support our clients in meeting their investment objectives. We aim to do so by overseeing our clients' capital in a responsible manner, and to create value for our clients as specified in our agreements with them.

The mandates we operate vary across asset type and geography, but are underpinned by our belief that well-managed entities are likely to be better investments; in our view they are more likely to have less potential downside risk and to help achieve investors' desired outcomes with greater certainty. To effectively manage investments on behalf of our clients, we seek to take account of factors that we believe can drive investment returns, work with issuers in which we may invest to help ensure these factors are appropriately and prudently managed, and collaborate with stakeholders in and beyond the investment industry to create the conditions for long-term investors and their clients to thrive.

See **Sections 7 and 9** for more information on how we put this into practice.

The full 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 disinvestment.
- 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 2023, the Compliance Team continued the following:

- 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 2023

In 2023, 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 2024, the Compliance Team intends to perform a standalone review of aspects of ESG operations, with specific coverage areas to be determined.

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.

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 2023 report, which covered the 12 months to the end of September 2023, 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.

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.
2. **Generate relevant reporting in a clear and relevant format:** Our clients frequently ask us to comment on 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 datasets 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 V**.

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.

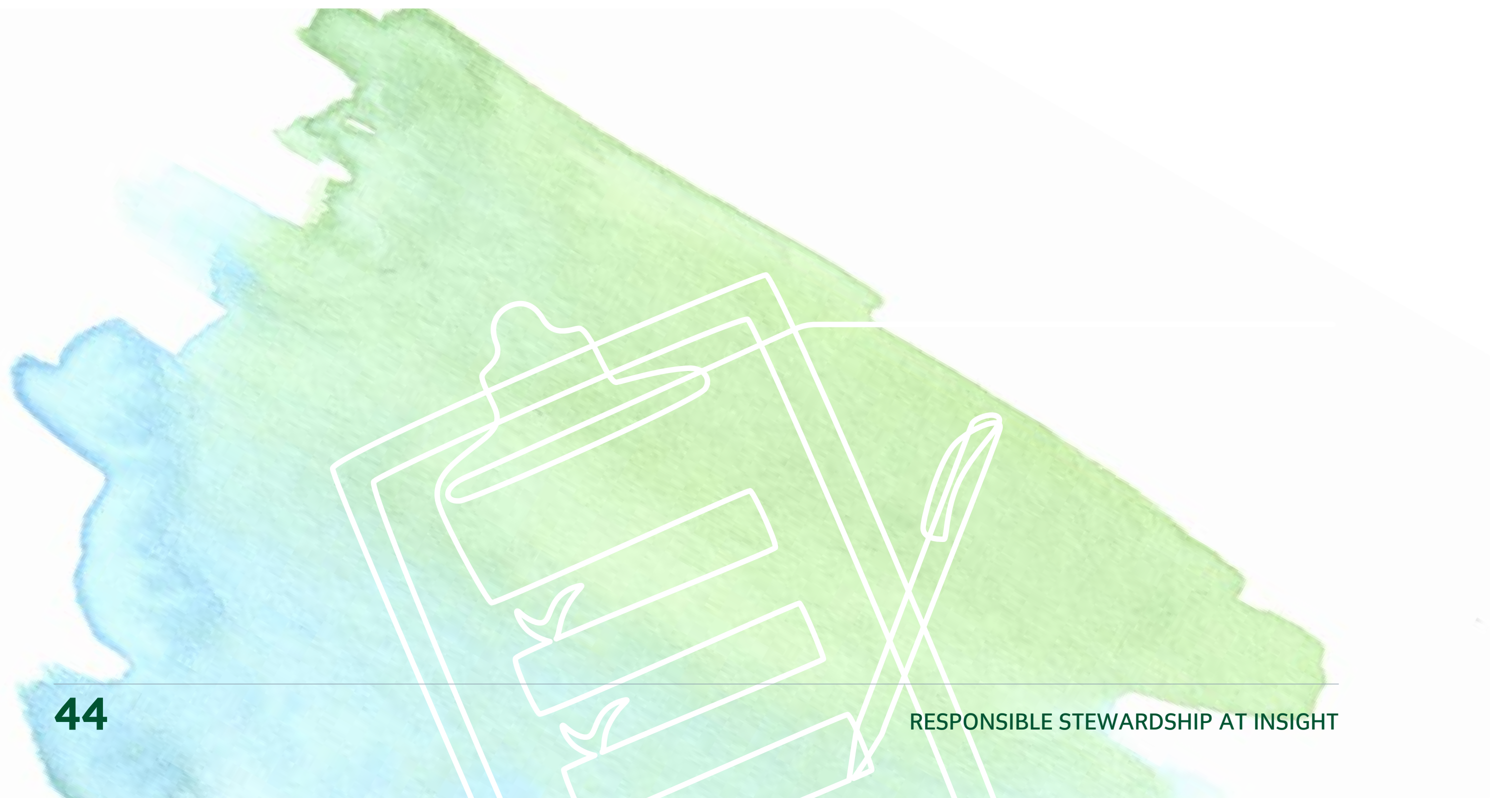
Role and responsibility of the risk management and control functions (second line of defence)

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 £647bn of assets[9]. 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. • Many 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 continued to develop our approaches in response to our clients' requirements. • We sought 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.

[9] As at 31 December 2023. Assets under management (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 MANAGERS[10] RESPONSIBLE FOR OVER £647BN IN ASSETS.[11] 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 serves 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 Figure 6.

Figure 6: Indicative asset-class breakdown of Insight's UK liability hedge exposure (£246bn)[12]

Funded gilts	45%
Corporate bonds	5%
Unfunded gilts	31%
Other	19%

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).

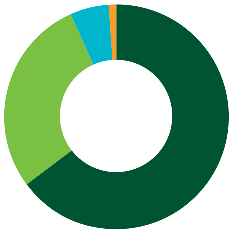
Our clients may seek bespoke mandates that meet their required time horizons, which influences how portfolios are constructed and managed, including how we assess financial instruments or work with financial market participants.

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.

[10] Source: The world's largest 500 asset managers, October 2023, Thinking Ahead Institute.
[11] As at 31 December 2023. 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.
[12] As at 31 December 2023. This information is indicative only. Exposure for leveraged mandates and AUM for fully funded LDI mandates for UK clients.

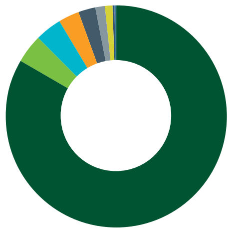
INSIGHT'S AUM[13]

By investment area



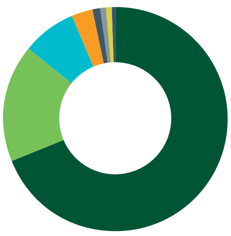
Risk management solutions	£419.5bn
Fixed income	£185.6bn
Currency management	£36.7bn
Multi-asset	£6.0bn

By client type



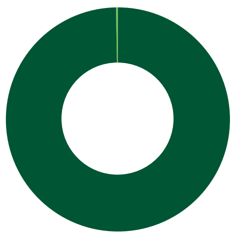
Pension	£541.3bn
Sovereign wealth/ government federal	£26.8bn
Insurance	£25.0bn
Financial institutions	£19.4bn
Wholesale (direct investment)	£16.0bn
Local authority/municipal	£8.6bn
Corporate (balance sheet)	£8.3bn
NFP – endowments/charities	£2.2bn
Subadvisory	£0.2bn

By geography



UK	£446.4bn
North America	£111.1bn
Europe ex UK	£50.1bn
Australia and New Zealand	£19.9bn
Middle East and Africa	£6.4bn
Asia Pacific ex Japan	£5.7bn
Japan	£5.3bn
Rest of World	£2.9bn

Institutional and retail



Institutional	£646.1bn
Retail	£1.7bn

> Our engagement with our clients aims to ensure we fully understand their needs, enabling us to pursue their desired outcomes on their behalf.

[13] As at 31 December 2023. Assets under management (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.

6.2 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 104 dedicated client solutions professionals, including Solutions Designers, Client Directors, Investment Specialists and Client Service Professionals.[14] 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 eight dedicated specialists[15] 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), 169-strong Fixed Income Group, 22-strong Currency Team and/or our 15-strong Multi-Asset Strategy Group assigned to clients as appropriate.[16] 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 all matters relating to our mandate with them including strategy, implementation, performance, sustainability and more.** 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 proactively sharing ideas and information on their mandates, 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 sustainability 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, impact themes and exclusions lists. Given the nature of Insight's client base and assets under management, a distinguishing feature of Insight is our offering for many clients to create bespoke segregated portfolios (rather than using multi-client pooled funds) to meet their specific needs.

[14, 15, 16] As at 31 December 2023.

- **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 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 ICSWG),
- at regular client meetings,
- at specific responsible investment-focused meetings,
- through monthly and quarterly articles and updates, and
- through our annual responsible stewardship 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 is working to incorporate net-zero objectives within buy-and-maintain credit portfolios:** In recent years 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.

  A number of our clients now have segregated strategic credit portfolios which incorporate 2040 or 2050 net-zero targets. We typically reflect these as a secondary objective, with financial performance the primary objective.
  We also reflect our clients' priorities in our strategic credit portfolios. Taking our flagship buy-and-maintain sterling corporate bond portfolio as an example, this strategy currently:

  – avoids issuers materially exposed to, or reliant on, coal or unconventional oil and gas extraction;
  – avoids issuers materially exposed to controversial weapons or tobacco production; and
  – considers the net-zero alignment of issuers, and has opted to engage with some issuers that are not committed to net-zero targets, as defined by the Prime net-zero alignment framework (see **Section 7** for more information).

  Over the course of 2023, the proportion of holdings in this flagship portfolio that are aligned to achieving net zero rose from 4.4% to 14.8%.[17]

[17] Based on Insight's own assessment. For illustrative purposes only.

- **Insight has supported the UK's largest pension funds in calculating climate metrics on gilt portfolios for climate reporting regulations:** Insight has been an active participant in TCFD-related consultations, particularly around the development of an approach for LDI mandates given the lack of clear guidance on how to meet disclosure requirements for sovereign bonds and derivatives. We began providing UK LDI clients with TCFD-aligned climate reporting for gilts in 2021, extending this to report to all clients with UK LDI portfolios on a quarterly basis from March 2022. In 2023 we enhanced these climate reports to include money market funds and Network Rail bonds.

As per TCFD and DWP guidance, we produce four carbon-related metrics for our LDI mandates. These comprise absolute emissions, an intensity-based metric (both carbon footprint and WACI are provided), a portfolio alignment metric and data quality. A recent example of our standard TCFD reporting for a segregated UK LDI client is included below. For a UK client using pooled LDI funds, similar TCFD-aligned information is provided in relation to Insight's pooled gilt funds.

Sample of TCFD-aligned reporting for gilts

Passive Hedge Portfolio

TCFD-aligned reporting for gilts as at 31 December 2023

Insight INVESTMENT

Metrics calculated on gilt exposure in the portfolio

- **Weighted average carbon intensity (WACI):** **112.2 tCO_2e/GK$m GDP**
- **Carbon footprint:** **178.6 tCO_2e/£m**
- **Absolute carbon emissions:**

Scope 1 & 2*	Market value (MV) of long only exposure £m	Absolute emissions method Previous (Footprint * MV) tCO_2e	PCAF[4] (WACI * MV) tCO_2e
Funded gilts only	93	**16,633**	**15,126**
Gilts on repo and/or TRS	311	**55,605**	**50,583**
Combined gilt exposure	405	**72,238**	**65,872**

- **Data quality:** 100% reported, unverified by a third party
- **Portfolio alignment metric (implied temperature rise °C):** Our assumption is 1.5 – 2.0 degrees Celsius based on analysis by Germanwatch and the Climate Action Tracker

Sources, assumptions and approach

- The following inputs and assumptions apply[1] :
  - annual UK greenhouse gas emissions data for 2022, published as a provisional figure by the UK government, of 417.1m tCO_2e[2]
  - total UK government debt at 29 December 2023, taken as the market value of gilts in issuance of £2,335,585m (including green gilts)
  - UK PPP-adjusted GDP estimate[3] for 2022, published by the IMF, of GK$3,716,621m
  - gilts posted out as collateral are included in gilt valuations; gilts received as collateral are excluded
  - derivatives, cash and short gilt positions have also been excluded

Please see following page for description of how the above metrics are calculated. Provisional analysis for indicative purposes only. *These emissions are defined as "Scope 1 and 2" emissions under DWP guidance. [1] Based on our understanding of various sources of guidance. [2] m tCO_2e is million tonnes of CO_2 equivalent gases. [3] PPP adjusted GDP is used for consistency vs other sovereigns. GK$ = international dollar (conversion to GBP below, IMF link), the unit of PPP-adjusted GDP. [4] PCAF = Partnership for Carbon Accounting Financials which has issued guidance for calculating emissions.
Source: Insight, UK Government, DMO, IMF, Germanwatch CCPI, Climate Action Tracker. Provisional 2022 UK emissions; 2022 GDP IMF PPP FX rate

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- **Insight worked with a large US insurance client to manage and report in line with its stewardship and climate-action initiatives:** To support the client, we procured and onboarded a new data source aligned with the methodology used for their emissions-reduction targets, which has been validated by the Science Based Targets Initiative (SBTi).

  The new data was used to provide detailed greenhouse gas (GHG) emissions and sector-level information on the portfolio across a variety of individual metrics associated with the client's methodology. We advanced our reporting capabilities and provided the client with their preferred data sources, to ensure comparability between their internal data systems and our own. In the future, we plan to further enhance reporting to include progress on items such as portfolio-level stewardship activity and net-zero alignment.

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.

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.

Following the challenges of 2022 when interest rates rose rapidly and many of our client mandates were amended to improve resilience, we continued a programme of heavy engagement with our clients through 2023.

- **In our most recent client survey**, conducted in early 2024, 95% of the 231 global respondents said they would recommend Insight (with most other respondents expressing no view), and 91% or more of respondents rated Insight as excellent or good for meeting their investment objectives, interaction with their client director, interaction with their client director, responsiveness to requests, and flexibility to meet their needs; and 97% agreed with the statement that Insight delivers on its promises.

  Of those asked to respond to the statement 'Insight consistently demonstrates high stewardship standards regarding my investments', 87% (147 respondents) agreed, with most of the remainder expressing no view.

  We repeat these global client surveys every other year.
- **Investment consultants rate Insight very highly:** In 2023, Insight was ranked in first place by UK investment consultants for Overall LDI Quality for the thirteenth consecutive year; and first for Fixed Income Overall Quality. Insight has been ranked first for Fixed Income Overall Quality in eight of the last 10 years.[18]
- **Institutional UK clients rate Insight very highly:** Coalition Greenwich undertakes research with UK institutional clients each year; in February 2024, Coalition Greenwich confirmed Insight as a Quality Leader for UK Investment Management Service for 2023.[19] In separate research conducted by Research in Finance, we also ranked first for highest average client service performance, based on responses from UK trustees, pension scheme managers and consultants.[20]
- **Leading global communications firm, Edelman, named Insight Investment as the number one brand in institutional investment management** in its Asset Management Brand Index 2024. Managers were ranked against a range of factors: corporate culture, strength of the investment team, rigour of firm's investment process, quality of its executive management team, awareness and distinctiveness.[21]

In 2023, 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:

- **Two Responsible Horizons strategies now embed net-zero targets:** To help investors pursuing clear sustainability outcomes from their portfolios, we have embedded net-zero targets within two of our Responsible Horizons strategies. These build on Insight's Prime net-zero alignment framework, which categorises companies according to their commitment to or alignment with net-zero principles (see **Section 7** for more information).

  The Responsible Horizons Euro Corporate Bond strategy and Responsible Horizons Multi-Sector Credit strategy now embed a net-zero by 2050 target. These changes include:

  - a minimum allocation to companies which are at least committed to a net-zero target,
  - a carbon intensity level well below the benchmark, and
  - an increased minimum allocation to sustainable investments and impact bonds.

  Investors in a specific strategy should consult the relevant documents for details.

[18] Source: Coalition Greenwich 2023 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. The Greenwich Quality Index Overall is a composite of Investment and Service scores. [19] 2023 Greenwich Leaders: U.K. Institutional Investment Management, 14 February 2004, Coalition Greenwich. [20] Research in Finance UK Institutional Market Study was conducted between 9 November 2023 and 22 January 2024 (Wave 9). 202 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=523; Insight Investment W9 n=54. [21] Edelman Asset Management Brand Index 2024. Asset Management Brand Index 2024 | Edelman Smithfield.

- **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.

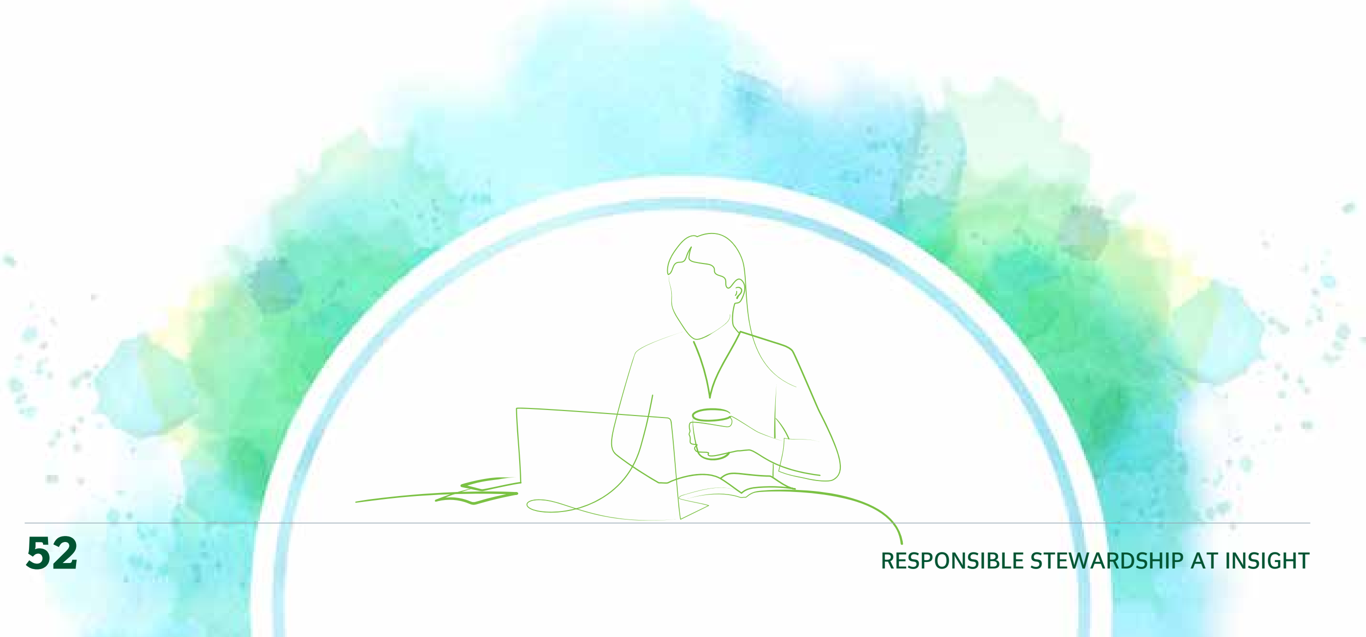
  Differing market structures mean that different approaches are necessary to ascertain a client's specific needs. In the UK, investment consultants advise the majority of institutional investors. In the US and Europe, many institutional investors have internal investment teams or prefer to liaise with 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 and relevant, 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, climate risk and net-zero alignment frameworks operate, 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, systematic fixed income, impact bonds) – Derivatives – Multi-asset – 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 labour dynamics across the supply chain 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 are therefore essential to effectively managing portfolio risk in specific asset classes. Understanding relevant 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 such 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 fixed income strategies, integration is portfolio-dependent and 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. However, we developed new ESG metrics relevant to our strategies in 2023.
- 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.

The approaches we outline below are relevant for our discretionary-managed mandates, which 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. ESG data providers are also often equity-centric in their views.

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 for our asset classes.

This led us to create Prime: Insight's proprietary ESG ratings, with ESG and climate risk ratings, and now net-zero alignment categorisation, 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 through 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 four 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 3,000 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 over 16,000 issuers 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.
- **Prime net-zero alignment categorisation:** First launched in 2023, the Prime net-zero alignment framework compares the net-zero alignment of corporate issuers and is intended to sit alongside the credit research process while supporting our engagement programme.

SUPPORTING OUR NET-ZERO GOALS: THE PRIME NET-ZERO ALIGNMENT FRAMEWORK

Insight set out our specific commitments as a signatory to the Net Zero Asset Managers initiative in early 2022.[22]

To support these efforts, we have developed the Prime 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. Some funds now use the net-zero alignment framework in fund construction, looking to reduce exposure to not aligned and committed issuers over time.

The framework borrows extensively from the Institutional Investors Group on Climate Change (IIGCC) 2021 position paper[23] and the group's supplementary guidance on portfolio target-setting[24].

External data sources for the net-zero ratings include MSCI, the Transition Pathway Initiative, the SBTi and Climate Action 100+. Insight-curated data inputs comprise a proprietary collection of scope 3 emissions disclosure reporting years for banks.

The ratings comprise the output of two independent assessments:

- What is the 'materiality' of achieving net zero for the issuer?
- What is the 'maturity' of the issuer with respect to achieving net zero?

In assessing materiality, we recognise that not all sectors have high carbon intensities, meaning some issuers will have higher hurdles to achieving a good net-zero framework rating than others. The materiality metric seeks to formally separate issuers into three groups: high impact sectors, material sectors, and less material sectors.

In assessing maturity, we use questions defined by the IIGCC covering longer-term ambitions, shorter-term targets, decarbonisation strategy and disclosure.

Taking the above into account, we will assign issuers one of the below ratings, in order of increasing performance:

- Not committed
- Committed
- Aligning
- Aligned
- Achieving

[22] Insight Investment's net-zero pledge, 31 May 2022, Insight.
[23] Net Zero Investment Framework Implementation Guide, 13 April 2021, IIGCC.
[24] Net Zero Investment Framework: Supplementary target setting guidance, 17 December 2021, IIGCC.

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 being 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)
  - US municipal bonds
  - Systematic fixed income
  - Impact bonds (use-of-proceeds bonds)
  - Impact issuers
- Derivatives
- Multi-asset
- Custom ESG portfolios

Throughout 2023, Insight continued 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 systematic fixed income 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 as an asset manager.

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 continued to engage with the UK DMO and His Majesty's Treasury (HMT) in 2023 on green gilt issuance. We continued to encourage the DMO to increase the frequency of impact reporting on green gilts from every two years to once a year. We also explained that uncertainty over institutional investors' fiduciary duty presented challenges for allocations to green gilts.
- We also engaged with the DMO and HMT about the UK policy landscape. This resulted in Insight sending letters to the UK government (the Office of the Prime Minister and the Department for Energy Security and Net Zero) raising concerns about the impact of policy changes on the government achieving its net-zero target and the risk this poses to our clients' investment objectives.

IN FOCUS: INSIGHT'S ONGOING ENGAGEMENT ON UK GREEN GILTS

Insight seeks to ensure that we go beyond accepting use-of-proceeds bonds simply based on their labels. Where bonds are being considered for impact allocations, we assess them according to our internal framework and assign one of the following ratings: dark green (signifying best-in-class), light green or red (signifying they fail to meet our standards and may be excluded from sustainable investment strategies).

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 was communicated directly to the UK DMO.

This downgrade reflected our judgement that while green gilts bear many positive sustainability characteristics, recent developments meant we no longer considered them best-in-class. The reasons supporting this downgrade decision were discussed in last year's report.

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.

In Q2 2023, Insight engaged with the UK DMO on two occasions as part of our ongoing engagement. Insight raised several sustainability topics including:

- the frequency of impact reporting for green gilts and green-gilt issuance plans;
- the UK's ability to meet its net-zero target given the current policy environment, and the lack of a green industrial policy to support transitioning companies; and
- how uncertainty over institutional investors' fiduciary duty presents challenges for allocations to green gilts.

In Q3 2023, Insight published our latest thoughts on the UK policy environment for net zero and the implications this has for investors. This was prompted by the government's announcement of delays to key areas of net-zero policy implementation in the residential and transport sectors. We highlighted that climate policy instability is a key source of risk to our clients' net-zero objectives as well as the attractiveness of UK assets to international investors.

We continue to engage with the UK DMO on a wide range of issues, including relevant ESG topics (see **Section 9**).

Global sovereign bonds

For all sovereigns in the investable universe, Insight measures the ESG risk and impact of sovereign issuers. For such investments, we have developed our proprietary Prime sovereign ESG framework which aims to highlight the key ESG risks and impact outcomes that investors in sovereign debt may look 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.

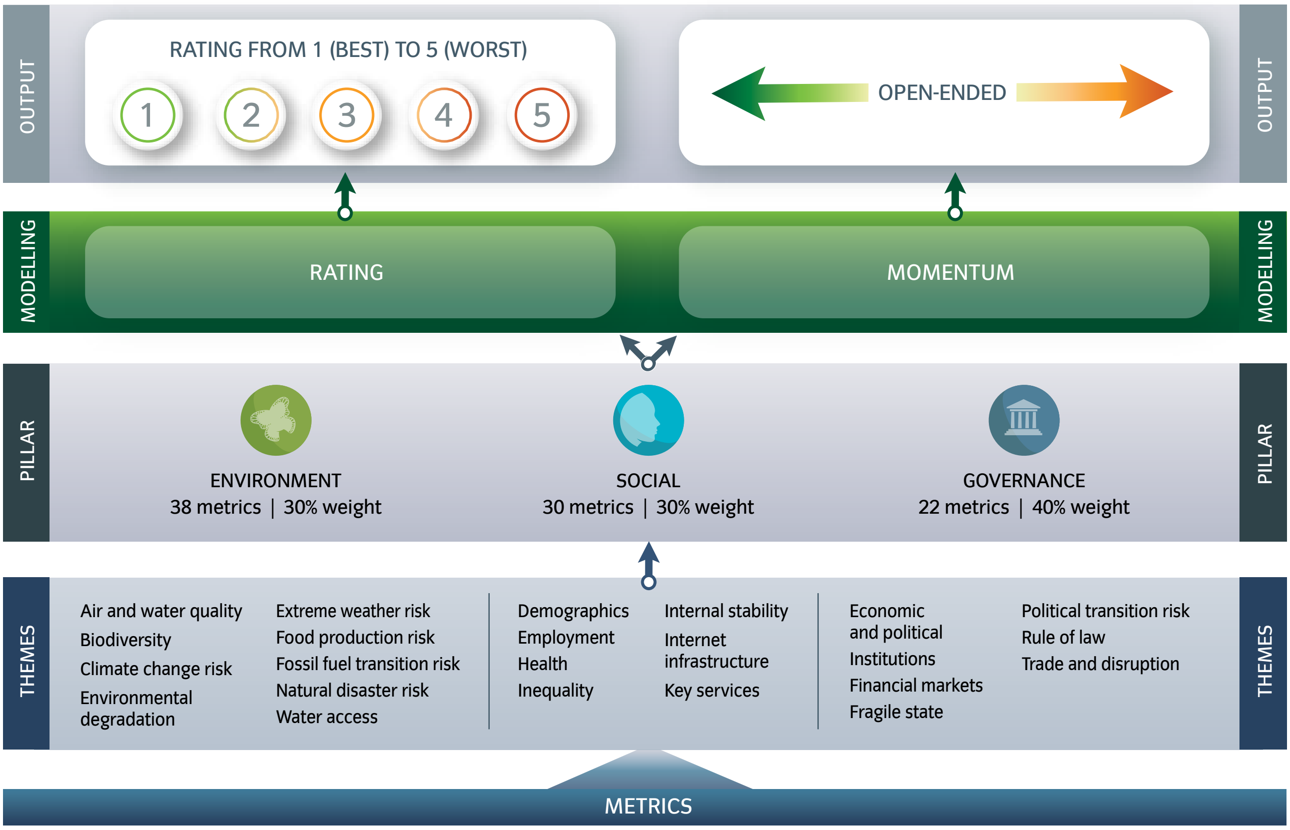
The tools use data from numerous sources, selected for quality, integrity and coverage, by Insight's credit, ESG and data experts. Separate risk and impact measures allow for greater flexibility and application as a portfolio management tool. The measures can be used to tailor portfolios to client preferences,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

The **Prime sovereign ESG risk framework** 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.

Figure 7: 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.

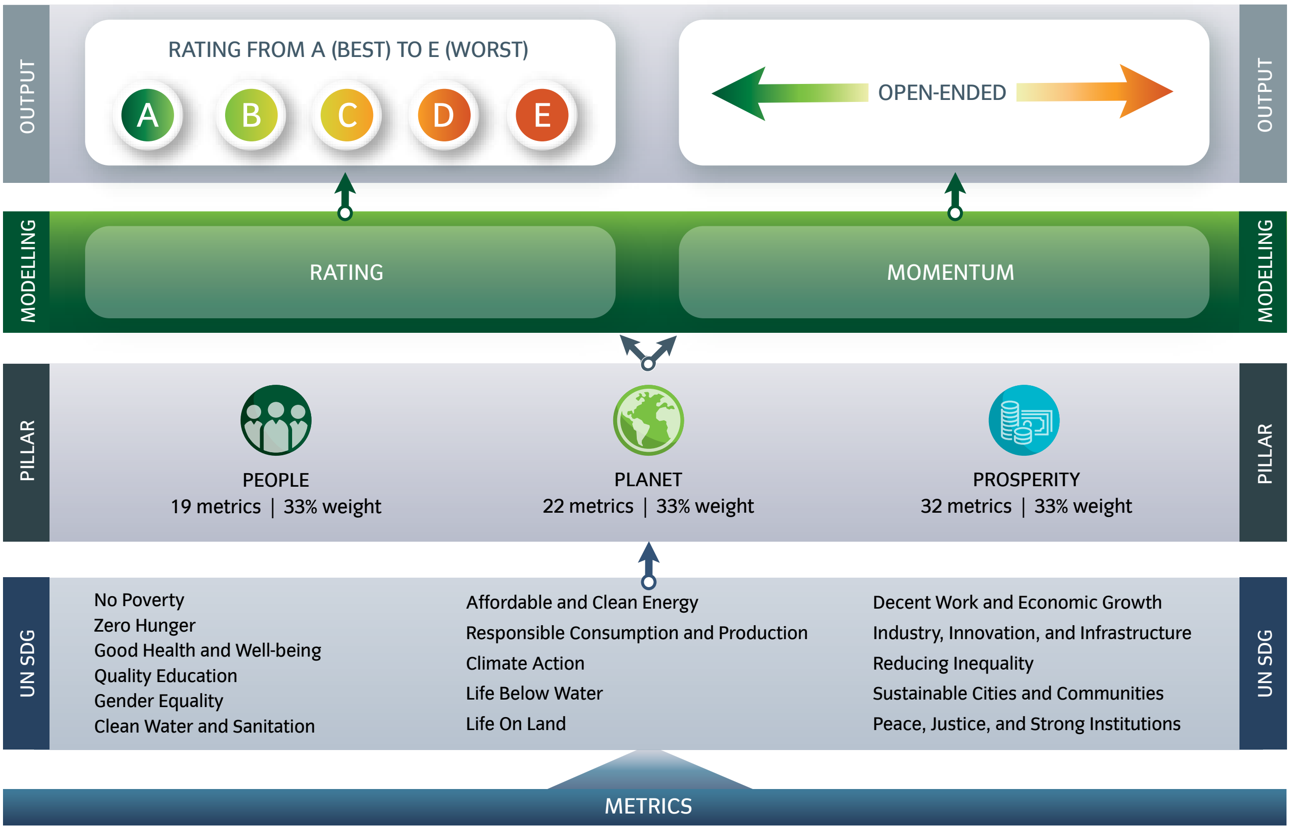
The **Prime sovereign ESG impact framework** sources metrics from the World Bank's Sovereign ESG portal. This database comprises 73 metrics, each of which is aligned with the UN SDGs.

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.

Figure 8: The Prime sovereign ESG impact framework



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

1. **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.
2. **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.
3. **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.
4. **To indicate issues for dialogue:** Our ratings may be used to identify and prioritise matters to address with sovereign issuers.

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**.

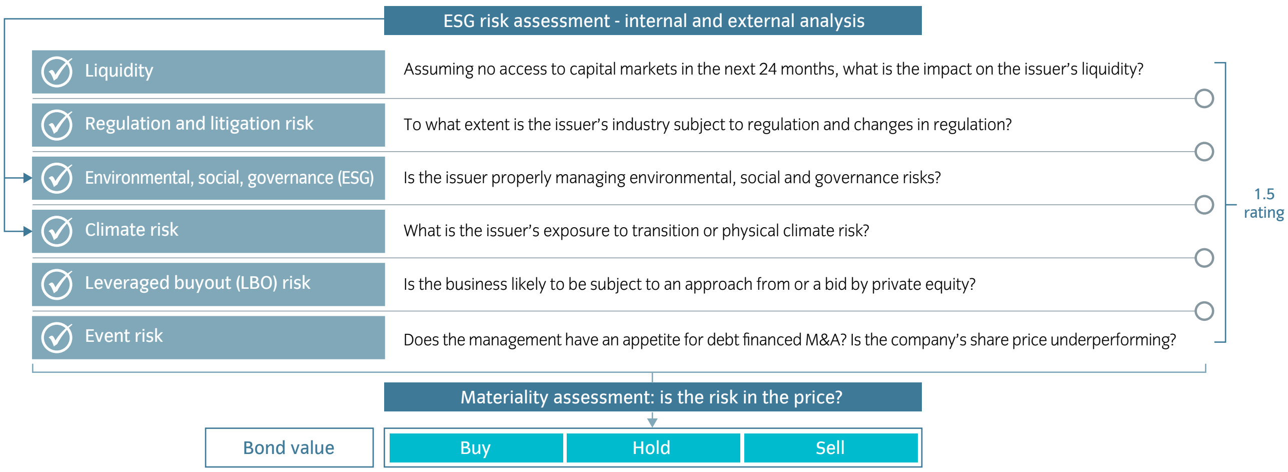
Integrating ESG factors in research processes and engaging with companies to improve their ESG standards is essential to effectively manage portfolio risk and fulfil our stewardship obligations.

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.

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 Figure 10 overleaf.

Figure 9: 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.

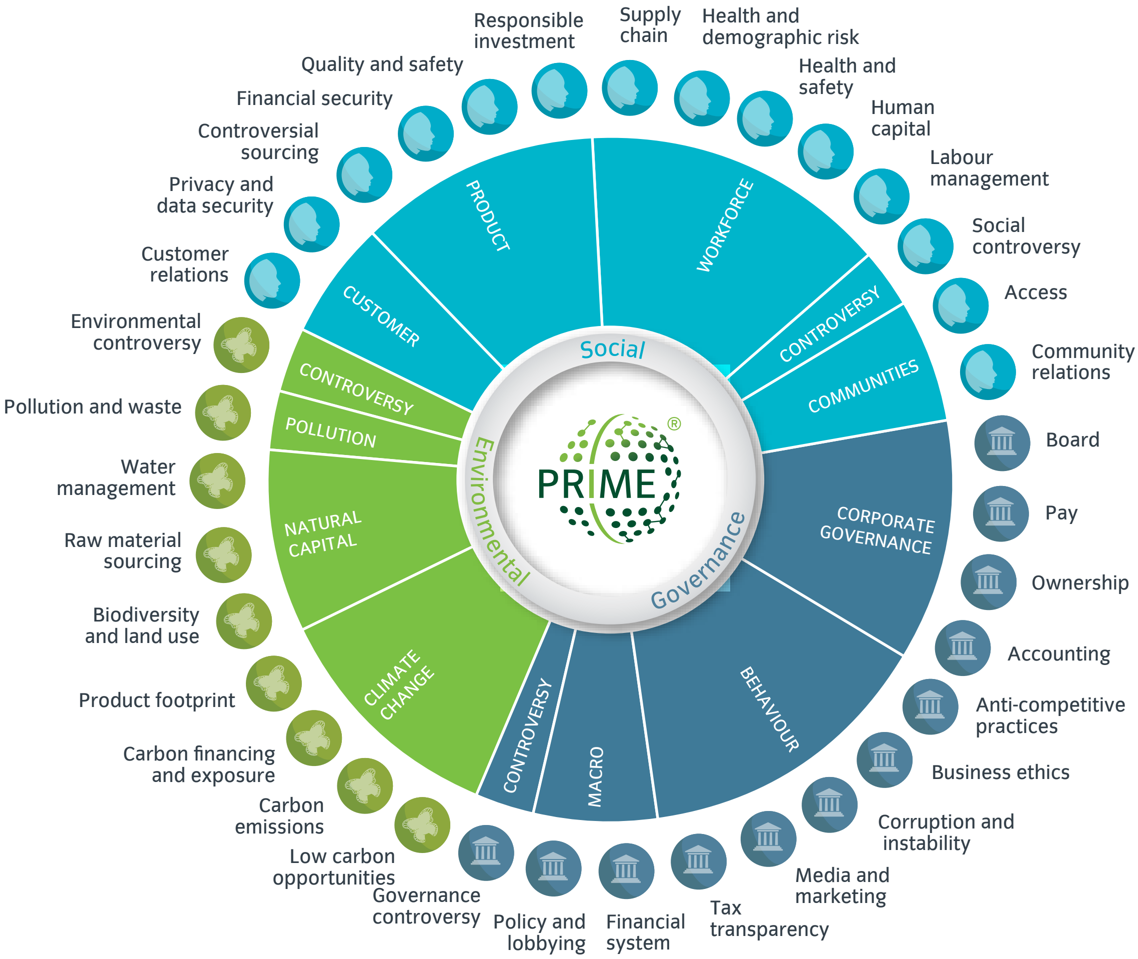
- The **Prime corporate ESG rating** is designed to indicate an issuer's performance relative to its peers. We calculate each issuer's percentile based on the raw ESG ratings within each Global Industry Classification Standard industry group, and assign an ESG rating between 1 and 5, to be consistent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

Figure 10: 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 financial services company

Background: We first engaged with the Middle Eastern bank due to its poor Prime ESG scores, which were limiting the issuer from being held in certain Insight portfolios with ESG restrictions. We wanted to help the issuer to improve its overall ESG profile so that we could potentially own a larger holding in the future.

Engagement: We identified weaknesses in the bank's ESG disclosures and used the engagement to explain the ways that the bank could address these weaknesses. These included the following:

- Governance – we highlighted concerns in relation to overboarding and the independence of some of the board's members. Management confirmed that an audit committee will review board members' participation and will also look at the term of independent members in the following months.
- Emissions reporting – we flagged our expectations for companies to report scope 3 emissions. The bank has not yet calculated its scope 3 emissions, but is currently engaging consultants to help address this. The bank stated that once it has collected and reported this data, it is likely that they will commit to achieving net zero in line with country-level goals. However, the bank is not willing to do so before calculating the baseline data.
- Environmental and social due diligence – we outlined our expectations for banks to disclose their environmental and social due-diligence processes. Insight also expects banks to join the Equator Principles. The issuer said it was looking to do so, and is already using much of the initiative's guidance in decision-making.

Outcome: We were pleased to hear that the bank was aware of the shortfalls we raised and was taking steps to address the issues. We took the opportunity to engage with the bank once more in 2023 when it was issuing an impact bond framework. Given the bank's Prime ESG rating, its framework was given a red rating. However, we clarified the next steps required in order to improve this rating to light green. We will continue to monitor progress.

CASE STUDY: Probing a medical device company's poor ESG rating and recent controversies

Background: The company is a global leader in the medical device industry, participating in several high-technology segments of the market. These include cardiovascular, medical surgical, diabetes and neuroscience. We engaged because its overall Prime ESG rating suffers from weak scores for product safety and quality, caused by several product recalls which one third-party data provider regards as severe controversies. While the company has been scrutinised for these controversies, it has been trending in the right direction over the last several years.

Due to the company's high-risk product portfolio and large number of stock-keeping units, product recalls are likely to continue to occur, but we identified some disclosures that could improve in order to signal to stakeholders that the company is effectively managing these recalls.

Engagement: On its product quality and safety, the company has initiated a quality-transformation programme to improve the quality function and strengthen the company's performance.

Regarding its engagements with third-party ESG rating agencies, the company conveyed its disagreement with one provider's methodology and how the provider captures headlines as part of its controversy measurements. In addition, the company indicated the categorisations employed by the data provider in its methodology include a disparate array of companies which may have little in common. Also, the company said the provider's methodology places greater negative weighting on issues affecting chronically ill patients – this will affect the company more punitively if it issues a product recall given its products are heavily relied upon by patients with chronic diseases and severe illnesses.

Outcome and next steps: We will continue to monitor the changes the company is implementing to its product research and development programme. However, we do not expect any material changes to the company's Prime ESG ratings in the short term. The changes the company is implementing will need some time to take hold and produce results. Its product recall numbers are improving, as evidenced by a fall in recent recalls and reductions in warning letters, but we recommend the company improves the utility of quantitative disclosures regarding its internal programmes for third-party rating agencies.

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.

Our approach specifically excludes 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.

Since 2022, our money market strategies 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 formalised how our strategies had been operating in practice for some time, and in our view, they have not impaired their security, liquidity or yield. There has been no material impact on our liquidity portfolios' performance since implementing these changes.

As a result of these changes, the relevant pooled funds are 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 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 assess each deal on ESG risks to which they are exposed, the materiality of these factors and how borrowers manage them. If a borrower does not provide adequate 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.

Figure 11: ESG considerations in Insight's secured finance analysis

	RESIDENTIAL AND CONSUMER	COMMERCIAL	SECURED CORPORATES
ENVIRONMENTAL	• Energy efficient buildings • Electric vehicles in auto sector	• Energy efficiency may be positive for property values • Corporate team analyse key tenants	• Analyse each underlying loan, including; carbon emissions, raw material sourcing and waste
SOCIAL	• Strong consumer protection practices • Appropriate arrears/ default process	• Property usage (limited control) • Corporate credit analyst team analyse key tenants against ESG criteria	• Analyse each underlying loan, including: labour practices, safety and data security
GOVERNANCE	• Strong underwriting process • Quality of collateral info • Originator's risk process • Back-up servicing arrangements • Sponsor equity (risk retention)	• Sponsor business plan/ spending covenants • Back-up servicing agent outlined • Sponsor analysis • Sponsor equity (risk retention)	• 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. 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 Figure 12.

Figure 12: 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
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 2023

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. We would currently highlight the following:

- **Myth 1 – Environmental and social risks are highly material to all deals:** Whilst these issues have a growing relevance to many deals (for example, as a result of tightening energy-efficiency standards for buildings or emissions standards for automotive assets), credit-relevant environmental and social risks are relatively rare given the diversification of assets, and no two deals are the same in terms of composition. Understanding outliers (for example, residential mortgage-backed securities, or RMBS, deals with a high concentration of the pool in areas of natural disaster risk) and clearly delineating ESG-related credit risks from ESG impact (for example, a high share of first-time home buyers within a pool, which might indicate a positive ESG impact from a deal but could imply higher credit risk given borrower profiles and typically higher loan-to-value) are key to assessing relevant ESG risks.

  Financial risks of climate change to ABS and secured finance have been limited historically but could grow over the next decade, with an increase in exposure of assets to extreme weather events and rising regulatory and market risks. Asset and geographical diversification has traditionally been a source of risk mitigation for ABS, but as these risks become increasingly prevalent, direct and indirect credit risks could rise.

- **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.

  An absence of some primary ESG data points from issuers (or coverage by third-party data providers) does not imply these issues are irrelevant to investors, which are leveraging a range of tools and sources of information to analyse these risks within deals.

- **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.

  Nonetheless, there are growing examples of such issuance, which tends to be heterogeneous in structure and bear 'green' characteristics, in contrast to the more standardised attributes of labelled debt issued by corporates and other asset classes. In time, it may be possible to construct such a portfolio, but for now in our view issuance remains too concentrated to do so.

In response to the lack of ESG data available on secured finance issuers, we developed proprietary scorecards for a range of sectors in both public and private markets, that cover material environmental, social, corporate and product governance- related issues. We are currently engaging with originators via our proprietary questionnaire, but will transition to the scorecard format in 2024 as the basis for engagements. For some more esoteric asset classes 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.

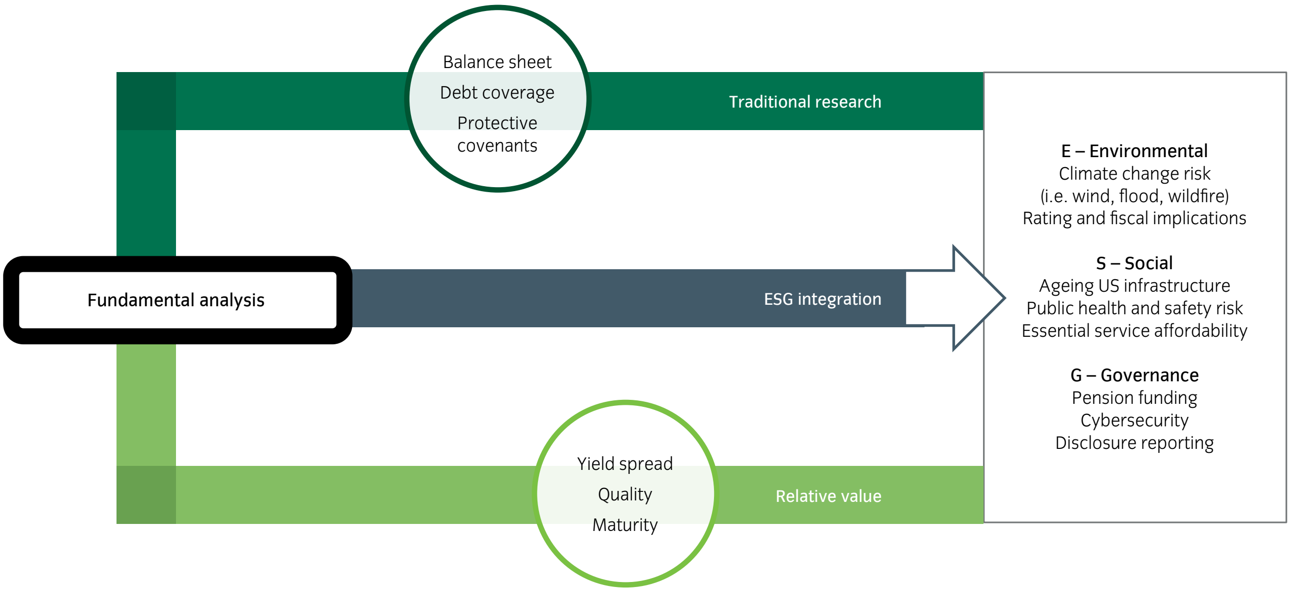
A key initiative to support the development of ESG data in the asset class is our effort to encourage the wider industry to drive change. We are working towards greater reporting transparency, providing ESG updates and case studies to clients. We have also developed an in-house framework for analysis of the carbon footprint of UK RMBS portfolios, which we rolled 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.

Our calculation methodology utilises location data on underlying properties within loan portfolios. Localised emissions factors are then produced using local patterns of energy consumption at a postcode level, and the share of each loan outstanding is used to calculate funded emissions attributable to the underlying asset.

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. 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.

Climate risks	• Financial and ratings impact: – Hurricane, drought, wildfire, sea level rise – Infrastructure and economic disruption – Regulatory/sustainability actions
Ageing US infrastructure	• Economic and public safety risk: – Maintain water, transportation infrastructure – Bridge condition, water systems – Mass transit condition
Natural resource	• Drought-susceptible areas • Water resource constraints • Economic reliance toward fossil fuels • Mitigation planning and actions
Demographic shifts	• Aging population • Social service and infrastructure strain • Outmigration patterns • Tax base and revenue risk
Governance	• Pension funding management • Financial disclosure practices • Cybersecurity risks

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.

In 2023, municipal bonds were integrated in the Prime ratings framework, in addition to an update to our impact bond assessment process for labelled issuance by municipals to better reflect the characteristics of the asset class and inherent opportunities for positive impact.

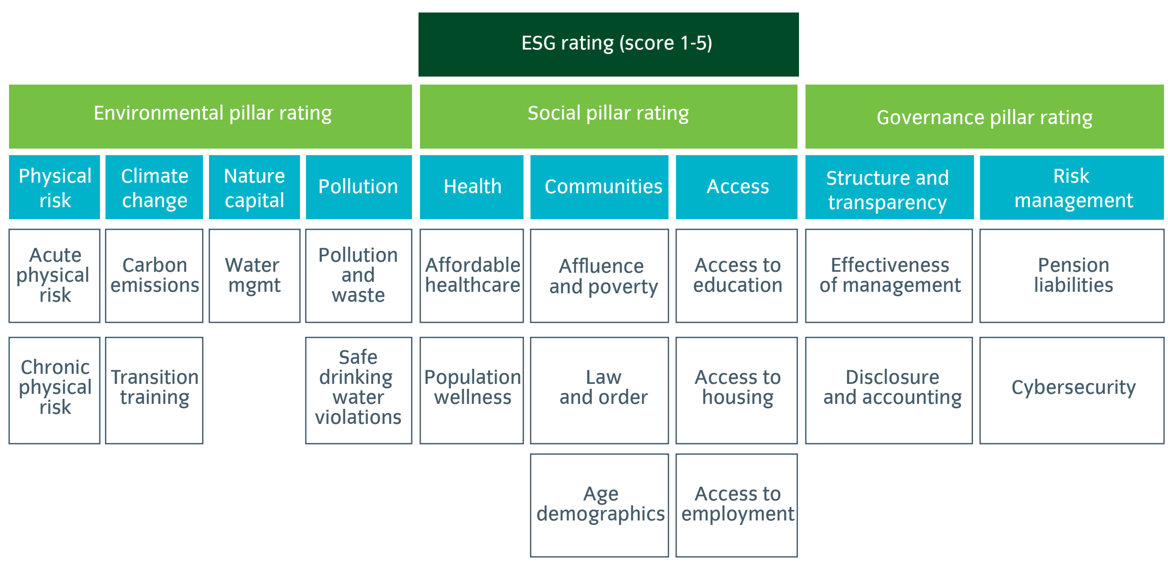
NEW IN 2023: ESG RISK RATINGS FOR US MUNICIPAL BONDS

Insight has developed and implemented 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.

Figure 13: Proprietary municipal debt ESG ratings

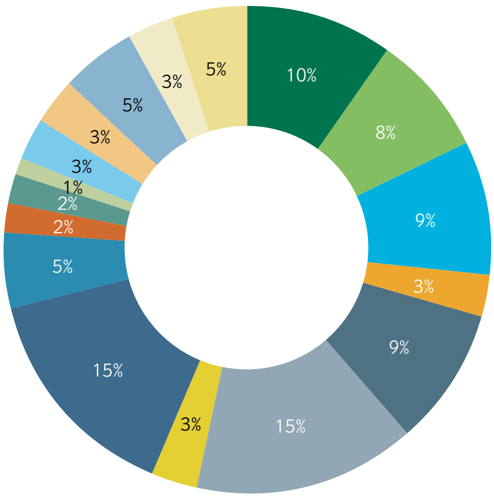


Impact assessment

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 financing and identifying those areas that support positive social and/or environmental outcomes.

The Municipal Bond Team may assign a municipal bond an 'ESG category code' to highlight the nature of any positive environmental or social outcome 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' financing profile to identify and categorise what project(s) are targeted to be financed. For mandates with ESG impact criteria or guidelines, each bond's profile will need to fall within the positive social or environmental themes listed in our proprietary impact framework (see Figure 14).

Figure 14: Sample US municipal bond portfolio exposure by ESG categories[25]



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

SYSTEMATIC FIXED INCOME

Insight's approach to systematic fixed income investing exploits systematic and structural market inefficiencies, which are often ignored by other managers, arising from 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, as at the end of 2023 the integration of ESG factors within our systematic fixed income 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 systematic fixed income strategies are relatively new to Insight's stable of fixed income offerings, and we continue to consider alternative approaches to further enhance integration of ESG factors into our systematic fixed income processes.

[25] For illustrative purposes only.

NEW FOR 2024: ESG FRAMEWORK FOR EFFICIENT BETA

Insight is developing a new ESG framework for the efficient beta strategies that will allow for a greater number of strategies to apply more systematic and scalable ESG integration where relevant and desired.

IMPACT INVESTING

Most of our integration processes focus on ensuring that relevant ESG risks are considered as part of the investment process. 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.

We have identified three opportunity sets to achieve impact: impact bonds, impact issuers and improving issuers. Below we outline our impact assessment frameworks used to analyse these instruments and their applicability as sustainable investments.

IMPACT BONDS	IMPACT ISSUERS	IMPROVING ISSUERS
Use-of-proceeds bonds verified by Insight's impact bond assessment framework, with clear social and/or environmental benefits	Issuers' revenue aligned to UN SDGs or EU taxonomy as verified by Insight's impact assessment framework	Issuers with core investment plans aligned to EU taxonomy, as verified by Insight's impact assessment framework
Green bonds / Sustainability bonds / Social bonds	Revenue alignment	Alignment of operational and capital expenditures

> 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.

Impact bonds (use-of-proceeds bonds)

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 and to avoid greenwashing. 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.

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 on next page.

Figure 15: What Insight's impact bond ratings mean: typical characteristics that drive the ratings

Rating	Approach
Red	• 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 'do no significant harm' 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	• 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	• 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 key performance indicators (KPIs), which has been independently verified by a third party. • The issuer passes our 'do no significant harm' 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 Sustainability Bond Guidelines, 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 SDGs), 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 PAIs 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 SDGs
  - 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, 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 Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. 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 on the suitability of proceeds 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. 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.

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 2023

We rated 370 unique impact bonds in 2023 capturing 173 issuers, which grew our database of impact bonds by 40% compared to 2022.

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 to promote a high-quality credit impact bond market. 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.

Figure 16: Insight impact bond ratings 2023

CASE STUDY: Calibrating a European bank's green bond framework

- **Background:** The European bank is a provider of retail, investment and corporate banking products. It is the first bank in its region to have issued a green senior non-preferred note in euros, an impact bond issue.

  Previously, Insight rated the bank's green bond framework as red (meaning it cannot be held in some portfolios, including Insight's Responsible Horizons strategies), due mostly to 100% of proceeds being used for refinancing. The allocation reporting from 2022 highlights that some of the proceeds were used for green buildings and renewable energy – categories we would expect to have new financing alongside refinancing.

  The objective of our engagement was to encourage the issuer to strengthen the framework ahead of a new green senior non-preferred note issue. We indicated to the issuer that the framework could be improved with the following disclosures: the percentage of proceeds of new bonds to go towards refinancing versus new financing, with a minimum threshold of 25%; and a split of eligible projects.
- **Engagement:** We summarised our feedback during our engagement, and the bank provided more detail on eligibility criteria and the expected project types to be financed with the proceeds of the green bond senior non-preferred notes. Following the engagement, the issuer addressed our feedback, satisfying Insight's previous concerns. Accordingly:
  - 75% of the proceeds raised by the green bond issue will be allocated to eligible green buildings (BREEAM Excellent and above, LEED Gold and above, HQETM Excellent and above), while 25% is earmarked for renewable energy projects, such as wind farms and solar energy; and
  - 75% of net proceeds will be used for refinancing and outstanding loans (with a maximum lookback period of three years applied to any refinancing), and 25% will finance new sales and disbursements of scheduled loan tranches – the bank highlighted that Insight was the only investor to request this allocation to new projects, so we were pleased that the issuer agreed to our requests.

  The issuer also outlined its extensive exclusion list and the alignment with the EU Taxonomy for sustainable activities and the Climate Bonds Initiative.
- **Outcome:** The changes made by the bank helped to strengthen its green bond framework, which meant the issuer's impact bonds could be upgraded to light green on Insight's impact bond assessment framework. As a result they can now be held by additional Insight porfolios, including Insight's Responsible Horizons strategies. We invested in the bank's latest impact bond issue.

CASE STUDY: Engaging to improve a European sovereign issuer's green bond framework

- **Background:** We have met with the European issuer several times since 2022. We previously rated its green bond framework as red, because of a lack of detail in some of the use-of-proceeds categories, and the governance section surrounding the green bond is weak.
- **Engagement:** During two different engagements, we communicated our concerns with the issuer's green bond framework and flagged how it could be strengthened to achieve a light green rating under Insight's framework. We highlighted that we would like to see more granular data on the use-of-proceeds categories, and that we encourage issuers to align their frameworks with the EU Taxonomy where possible. During the engagement, the issuer highlighted that the government was committed to enhancing the framework.
- **Outcome:** In January 2024, the sovereign issued a new green bond and we noted that the framework had been updated to align with the EU Taxonomy. We therefore updated the rating to light green meaning we can now classify it as a sustainable investment. We were pleased to see the improvements to the framework in line with our recommendations and we participated in the issuance.

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:

Figure 17: Insight's impact issuer assessment process[26]

Objective

Identify issuers outside the impact bond market which have at least 50% of their revenue streams linked to positive environmental and/or social impact.

STEP 1

Impact assessment

1

- **Revenue alignment:** >50% aligned to UN SDGs or EU Taxonomy Regulation
- **Economic activity alignment:** meets activity alignment criteria, with no material misalignment
- **Impact reporting:** aim to identify impact KPIs which can be tracked and reported

STEP 2

ESG assessment

2

- **DNSH** assessment
- **Prime ESG performance**
- **Prime climate risk performance**
- Controversial sector involvement
- **Controversy** analysis and associated risks
- **Net-zero** aligment
- **PAI** screen

STEP 3

Impact committee review

3

- **Review** impact and ESG assessment
- **Approve** issuers aligned to UN SDGs or EU Taxonomy
- **Annual** monitoring and reassessment

Impact issuer

[26] For illustrative purposes only.

Improving Issuers

'Improving issuers', as defined by Insight, are companies that have a significant proportion of their core investment plans linked to activities deemed to have a positive environmental impact as measured by alignment to the EU taxonomy. The process for assessing if a company can be considered an improving issuer is outlined below:

Figure 18: Insight's improving issuer assessment process[27]

Objective

Identify issuers outside the impact bond market whose core investment plans are compliant with the EU Taxonomy.

STEP 1

Impact assessment

1

- **Investment plan aligment:** >50% aligned to EU Taxonomy Regulation
- **Economic activity alignment:** meets activity alignment criteria, with no material misalignment
- **Impact reporting:** aim to identify impact KPIs which can be tracked and reported

STEP 2

ESG assessment

2

- DNSH assessment
- Prime ESG performance
- Prime climate risk performance
- Controversial sector involvement
- Controversy analysis
- PAI screen

STEP 3

Impact committee review

3

- **Review** impact and ESG assessment
- **Approve** issuers aligned to UN SDGs or EU Taxonomy
- **Annual** monitoring and reassessment

Improving issuer

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.

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.

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 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.

[27] For illustrative purposes only. >50% aligned to EU Taxonomy Regulation defined as affecting at least 50% of their revenue streams, capital expenditure, or operating expenditure including non-capitalised costs that represent research and development.

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 capability, 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.

Figure 19: How the aspirational PRI principles are embedded within Insight's multi-asset strategy[28]

1 ESG considerations in investment analysis and decision making

- 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.

2 Incorporate ESG issues into ownership policies and practices

- Aim to actively engage with direct holdings and screened index providers, pursuing a responsible investment agenda where possible.
- Vote on all direct holdings in listed infrastructure.

3 Seek appropriate ESG related disclosures

- 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.

4 Promote acceptance and implementation of the Principles

- 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.

5 Engagement across the business

- 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.

6 Report on ESG related activities and progress towards implementing the Principles

- 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.

[28] 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.

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 index 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 index 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 2023, ESG-screened index exposures represented c.66% of our equity, 85% of investment grade credit, 100% of high yield and over 56% of emerging market debt exposures.

As part of investment decision making, the Multi Asset Strategy Group assesses for appropriateness to portfolios the index construction methodology for ESG-screened indices. Accordingly, the Team does not determine the constituents of such market-based exposures. ESG criteria within the strategy's ESG-screened exposures is reviewed independently by the Insight Responsible Investment team.

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. The majority of the strategy's infrastructure holdings are categorised as EU SFDR Article 8 or 9, and renewable energy infrastructure represented over 45% of overall infrastructure exposures at 31 December 2023.

Figure 20: Strategy infrastructure composition over time

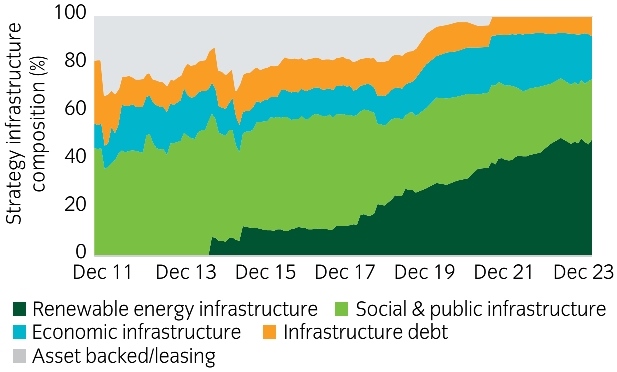
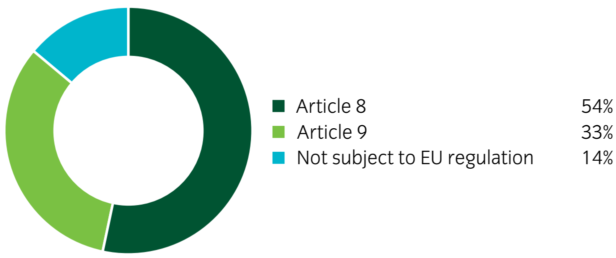


Figure 21: SFDR classification of infrastructure holdings



The lack of common industry standards for the assessment and measurement of relevant ESG metrics is a challenge in effective, clear reporting of relevant ESG metrics. We remain committed to developing our ESG reporting capabilities as industry standards coalesce over time.

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, impact themes and exclusions lists.

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

Figure 22: The Responsible Horizons strategies

Strategy name	Description	Lead portfolio managers	Performance benchmark	SFDR status
Responsible Horizons Euro Impact Bond	Impact bond/impact issuer strategy	• Fabien Collado, ESG Portfolio Manager • Lutz Engberding, Portfolio Manager	Bloomberg MSCI Euro Corporate Green Bond index	Article 9
Responsible Horizons Euro Corporate Bond	European sustainable corporate bond strategy, aligned to net zero	• Fabien Collado, ESG Portfolio Manager • Lutz Engberding, Portfolio Manager • Robert Sawbridge, Head of Responsible Investment	Bloomberg Barclays Euro Aggregate Corporate Total Return Index	Article 8
Responsible Horizons EM Debt Impact	Emerging markets impact bond/impact issuer/ improving issuer strategy	• Simon Cooke, Portfolio Manager	JP Morgan EM Green, Social and Sustainable Bond Index Diversified (USD hedged)	Article 9
Responsible Horizons Multi-Sector Credit	Sustainable multi-sector credit strategy, aligned to net zero	• Adam Whiteley, Head of Global Credit • Shaun Casey, Portfolio Manager	SONIA	Article 8
Responsible Horizons UK Corporate Bond	UK sustainable corporate bond strategy	• Damien Hill, Senior Portfolio Manager	Markit iBoxx Sterling Collateralized & Corp TR GBP	N/A (UK strategy)
Responsible Horizons Strategic Bond	Sustainable multi-sector credit strategy	• Adam Whiteley, Head of Global Credit • Shaun Casey, Portfolio Manager	Investment Association Sterling Strategic Bond Sector[29]	N/A (UK strategy)

[29] The strategy is managed without any benchmark-related constraints and uses the sector for performance comparator purposes only.

New for 2023

Net-zero targets for Responsible Horizons

Two of the Responsible Horizons strategies now embed a net-zero by 2050 target in their approach by applying the following:

- a minimum allocation to companies which are at least committed to a net-zero target,
- a carbon intensity level well below the benchmark, and
- an increased minimum allocation to sustainable investments and impact bonds.

Currently, the Responsible Horizons Euro Corporate Bond and Responsible Horizons Multi-Sector Credit strategies apply such criteria. Investors can find more details in the relevant documents for each strategy.

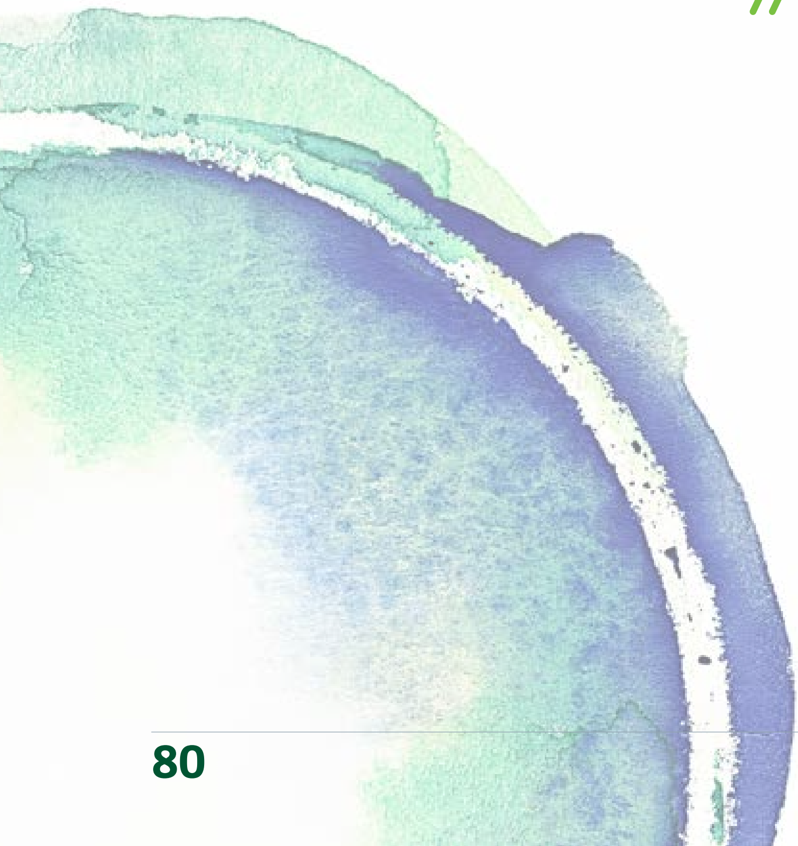
Responsible Horizons EM Debt Impact strategy

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 considers 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.

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.

We seek out investments that we believe exhibit good value, both in terms of financials and 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.

Please see **Section 8** for more details.

8 Monitoring managers and service providers

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

Overview

	Key statements
Context	• 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 Group and Vendor Management Function that oversee 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 134 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
- SBTi
- 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 GROUP

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 General Counsel, as well as representatives from Corporate Risk, Operational Resilience, Cyber 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 FUNCTION

The Vendor Management Function 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**.

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 2023 and work in 2024

- In 2023, c.140 new vendors were onboarded by Insight.
- In 2023, 134 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.
- From 2023, we ask all suppliers to voluntarily provide specific information on ESG-related questions to allow us to collect relevant metrics metrics (see **Appendix IV**). Insight's framework is risk-based and the number of questions third parties are asked to answer depends on the engagement's risk rating. The higher the risk rating, the more ESG questions would be included in the assessment.

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.

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

We engage with issuers to protect and enhance investment returns and seek to help to secure client outcomes.

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 focuses on our clients' financial objectives but may also contribute to sustainability outcomes. • 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 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. • Our engagement programme in 2023 included ESG thematic priorities (climate change, water and diversity and inclusion) and a focus on counterparties.
Activity and outcomes	• In 2023, we conducted 984 engagements with debt issuers, of which the majority included some form of ESG dialogue. These included 148 engagements focused solely on ESG issues. The 984 engagements included interactions with companies in 60 countries, of which 23 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 2023 of our engagements in each: – Fixed income – Multi-asset – Secured finance • We introduce our 2024 engagement themes: climate change, natural capital and biodiversity, and labour management.

9.1 CONTEXT

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

It is the 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 in one-to-one meetings).

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.

In this section, 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 engagement should be considered and essential aspect of effective financial analysis.

How an entity behaves in terms of its societal impacts increasingly plays a role in financial materiality. We believe that issuers which effectively manage their sustainability risks and impacts are likely to represent better long-term risk/return opportunities . We therefore also engage on sustainability issues where we believe we can influence improved behaviour, providing it is not detrimental to the return potential of the investment. 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 shares its perspective directly with investment teams and completes 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.

Thematic engagements

We prioritised key ESG engagement themes for 2023 to ensure we are consistently addressing important issues through our engagement activity. These were discussed and approved by the RIG.

Our prioritised themes for 2023 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 in 2021, 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.[30] 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.

  Through our climate-change engagement programme, we engaged with issuers representing over 50% of our financed emissions on climate change-related issues. This is calculated based on the weighted average carbon intensity (WACI) of the holdings covered by our net-zero commitment.

  As part of our net-zero commitment we established a position on thermal coal.[31]
- **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 2023 we continued to expand our water engagement, drawing on proprietary research which identified that water risks are idiosyncratic and highly localised in nature, necessitating consideration of wider risks to supply, as well as understanding impacts of increases in the frequency and severity of supply-chain disruptions. This research applied 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.
- **Diversity and inclusion:** This is a topic of increasing importance across both social and governance themes.

[30] Insight Investment's net-zero pledge, 31 May 2022, Insight. [31] Insight's position on thermal coal, 31 May 2022, Insight.

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

During 2023, we continued to focus our research and engagement for this theme with our banking counterparties due to the materiality of diversity and inclusion for this industry. We also expanded our engagement out to companies in other sectors where performance was poor.

New for 2024

We have decided to broaden out our engagement themes for 2024 to capture additional research topics. These cover similar areas to the thematics from 2023 but through a slightly different lens with the key themes being climate change, natural capital, and labour rights. Our stewardship prioritisation approach will therefore be embedded in our ESG research programme, which will help to ensure that our stewardship strategy is backed by research and more clearly reflected in our investment decision-making where relevant to do so and in line with client requirements.

- **Climate change:** This is an ongoing priority theme and will most likely be continue to be a priority theme for the foreseeable future, with a proposed focus on sovereigns through our work on the PRI collaborative engagement pilot with Australia in 2023 (see later in this section for more information) and with plans for other sovereign engagement later in 2024.
- **Natural capital and biodiversity:** Natural capital underpins all economic activities and human well-being. The unprecedented and widespread decline of biodiversity is generating significant but largely overlooked risks to the economy, financial sector and well-being of current and future generations. Focusing on natural capital and biodiversity would represent an expansion of our previous focus on water management (e.g., effluent emissions to soil and water). We would likely focus on what we believe are material natural capital issues across operations, supply chains and downstream impacts in light of the finalisation of the TNFD framework and evolving regulatory frameworks.
- **Labour management:** The future of work is changing fast. Ensuring labour-management models develop in a way that creates stronger, sounder livelihoods with sufficient safeguards is necessary for the sound functioning of our interconnected society. Job creation was already high on the global agenda before a pandemic upended labour markets, as was policy-making that can ideally help both workers and their employers. The most successful approaches will take into account shifting demographics and changing job roles and will leverage disruption as a means to design workplaces that genuinely serve everyone's needs. This would represent an expansion of our previous focus on diversity and inclusion.

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 generally 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. Where we conduct ESG engagement activity, the Responsible Investment Team typically provides oversight and guidance on the activity, including company prioritisation and the objective-setting process.

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. We have separate templates for Fundamental and ESG engagements.

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 offering TCFD-aligned reporting. 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 2023: ESG ENGAGEMENT PROCESS UPDATES

We undertook a number of activities to enhance Insight's stewardship and engagement programme in 2023. We introduced a new approach to engagement prioritisation and escalation in 2023 which was then articulated, in a broad sense, in an updated Stewardship Policy. This policy outlines our view of stewardship and how and why we engage. More detail is provided in **Section 5**.

Engagement selection and prioritisation

Under our new approach, the Responsible Investment Team provides additional support to Insight's credit analysts to support them to prioritise companies and material issues for engagements. This included developing sector-specific materiality maps which were used to identify companies which score poorly in the material issues for the sector using our Prime ESG ratings frameworks.

Engagement tracking

At the start of 2023, we implemented engagement and escalation stages to enable effective monitoring of progress against engagement objectives set. Where we see a lack of progress for financially material objectives, we may choose to progress the issuer through our escalation stages (see **Section 11** for more details). Our engagement stages are outlined in Table 1.

Table 1: Insight's engagement stages

Progression stage	1. Initiation	2. Objective Communicated	3. Company Acknowledgment	4. Evidence of Progress	5. Objective Achieved
Description	Insight has initiated engagement.	Issues and target outcome sought by Insight have been communicated with the company.	The entity has acknowledged the issues.	The company has begun to address the issues by establishing a strategy, or evidence of a change in performance is observed.	The issues have been addressed, where satisfactory outcomes have been achieved, or action has been taken to address the issue.

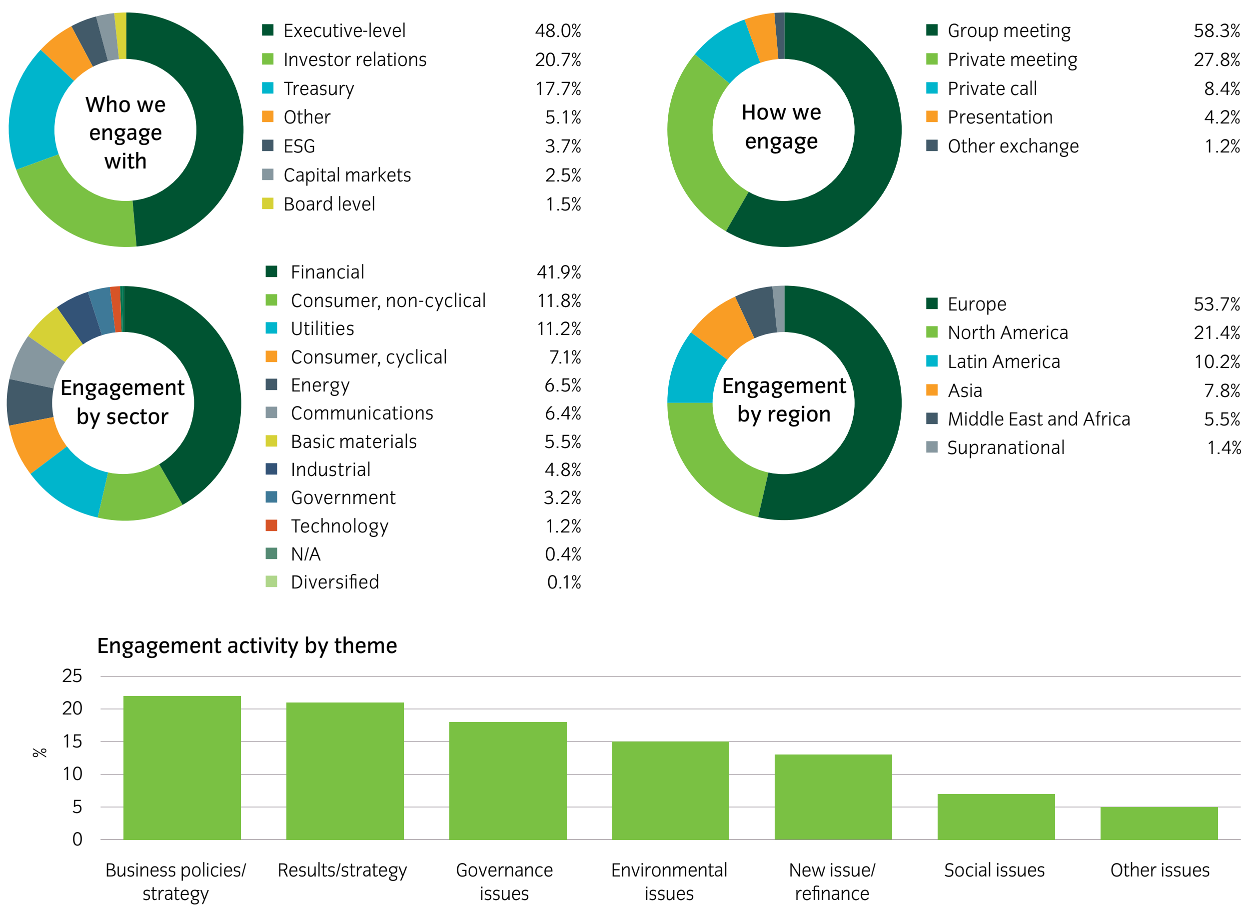
Our template for ESG-focused engagements was updated to include the engagement and escalation ratings, which are a mandatory field for all such engagements. We also strengthened our engagement reporting capability to enable effective monitoring of our engagement and escalation stages. Through our updated reporting system, we can make real-time changes to engagement and escalation stages which enables us to respond to updates from companies.

Training and guidance

Training was provided for credit analysts throughout 2023 to provide an overview of their responsibilities and to educate them on how to apply the engagement and escalation ratings.

9.4 ACTIVITY AND OUTCOMES

Figure 23: 2023 fixed income engagement activity[32]



- Of 984 engagements, the majority included some form of ESG dialogue
- Companies from 60 countries, including 23 from emerging markets
- 38% of our meetings were Insight-only
- 50% 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.

[32] Source: Insight as at 31 December 2023. For illustrative purposes only. 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. Some numbers do not total 100.0% due to rounding.

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 significant 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 2023, we continued to engage with the UK DMO on its proposals for green gilt issuance, specifically on green gilt post-issuance impact reporting. We also discussed whether the UK would struggle to meet its net-zero targets given the changing policy environment, including the approval for a new coal mine.

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

- **Background:** Insight engages regularly with the UK DMO given Insight's large client base of UK pension schemes, which invest heavily in UK government bonds (gilts).
- **Activity:** Insight engaged with the DMO and HMT in May and June 2023 to follow up previous engagements where Insight raised several issues related to green gilt issuance and other sustainability topics, including the following.
  - We encouraged the DMO to increase the frequency of impact reporting on green gilts from every two years to once a year. Their response made clear this is unlikely in the near term.
  - We explained Insight's concerns regarding the UK's ability to meet its net-zero targets given the current policy environment, which is a key assessment consideration of the quality of green gilts by Insight. Specific concerns included approval for a new coal mine in Cumbria and the lack of a green industrial policy to support transitioning companies.
  - We explained that uncertainty over institutional investors' fiduciary duty presented challenges for allocations to green gilts. The DMO said it was aware of this before the issuance of green gilts, but given the success of the issuance they did not view this uncertainty as a problem. We reiterated that it remained a problem, with strong views 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 discussed the government's plans for green issuance, with the government reaffirming its commitment to the Green Financing Programme with plans to issue £10 billion of green gilts in the 2023-2024 financial year. We asked if there were any further developments regarding the DMO's intentions to issue sustainability-linked bonds. The DMO set out 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 under Insight's impact bond assessment framework in 2022 (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. The Russian invasion of Ukraine provided a timely reminder of some of the risks which do exist.

In 2023, 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. We were also involved in the PRI's collaborative engagement pilot with Australia, which is working to establish best practice for sovereign engagement, systemic risk management by government bondholders and investors in Australian assets, and supporting the 'enabling environment' for net-zero alignment in Australia in line with the government's stated ambitions and mandate.

CASE STUDY: Discussing the Federal Republic of Germany's PAI disclosures under SFDR

- **Background:** The Federal Republic of Germany – Finance Agency (GFA) is the central service provider for the Federal Republic of Germany's borrowing and debt management.

  We held two meetings with the issuer, in April and August 2023. The engagements focussed on Germany's disclosures against the PAI regime under SFDR, including the two mandatory PAIs (GHG intensity and the number of investee countries subject to social violations), and the remaining optional PAIs.
- **Engagement:** Our discussions with the GFA focused on the most suitable data sources the issuer could use to measure, report and assess sovereign performance against indicators that align with the PAIs, including the most useful optional PAI categories. Insight views the following optional PAI categories as the most relevant: 1) average income inequality score, 2) average freedom of expression score, 3) average human rights performance score, 4) average corruption score, 5) average political stability score, and 6) average rule of law score.

  We compared the inputs used by the issuer for each of the above categories to those Insight uses. Where we used alternative data we highlighted this to the GFA. We also gave recommendations for what we consider as best practice and feedback on the data sources, and we stated our preference for comparable international data to make portfolio reporting meaningful.

  We also outlined how we would use the PAI data disclosed by Germany and how we currently think about sovereign PAIs in the context of sustainable investments.
- **Outcome:** The engagement revealed no concerns about the action taken by the GFA and we view the proactive steps taken by the issuer very positively. We believe the GFA is a leader in its consideration of important ESG sovereign investor themes. We will communicate with the GFA any future recommendations we have for sovereign debt offices. We will asses the data currently under consideration by the issuer for use as inputs in its assessment of each PAI and highlight any we believe is inappropriate or if, in our view, there are better alternatives.

CASE STUDY: Collaborative engagement across government: participating in a federal engagement as part of the PRI Australia pilot

- **Background:** As part of the PRI's collaborative engagement pilot, Insight participated in an engagement with the Australian Office of Financial Management (AOFM) and Treasury focusing on the inaugural federal green bond programme and the government's Sustainable Finance Strategy.

  Australia was selected for the pilot on the basis of high transition risk, deep and liquid domestic capital markets and renewed climate policy momentum.
- **Engagement:** Insight engaged with the AOFM's Head of Sustainable Finance and the director of the Budget Strategy and Policy department in the Commonwealth Treasury in September 2023 to discuss Australia's intention to develop a green bond framework, issuance of its inaugural green bond in mid-2024; and wider plans regarding climate policy implementation and climate finance.

  Three broad themes the programme seeks to address are climate mitigation, resilience and biodiversity restoration.

  There were differing views from PRI group members on whether proceeds from green issuance should be made available for financing fossil fuel and/or generation 'transition' projects given the risk of greenwashing but also recognising the structural importance of fossil fuels to the Australian economy (although if they were to be included, alignment with the ICMA Transition Finance Handbook or CBI Transition Principles ought to be in place).

  Alignment with the Climate Bonds Initiative Taxonomy was also recommended in the absence of the final Australian Sustainable Finance Taxonomy.

  The Treasury flagged that it could be challenging to prioritise a single, large bond issuance that is at least in line with the 10-year benchmark that PRI group members felt would help manage liquidity challenges in the green bond market. The AOFM indicated that this issuance programme is likely to remain a relatively small share of the upcoming debt issuance.

  The AOFM and Treasury are exploring the inclusion of critical-minerals development and processing (trade-offs between contribution of these activities to domestic emissions versus their potential contribution to international low-carbon value chains); and concerns that some of these minerals becoming inputs for defence applications that may risk exclusion from ESG-labelled funds. Insight fed back that we would expect to see clear delineation of any minerals projects on the basis of end-use (e.g., green versus defence versus other applications).
- **Outcome:** Insight has participated in follow-up meetings with the Treasury focusing on implementation of the Sustainable Finance Strategy, plans for whole-of-government climate-related financial disclosure and updates to Australia's emissions targets under the Paris Agreement.

  As part of the pilot, we have also participated in engagements with the Department of Industry, Science and Resources; the Department of Climate Change, Energy, the Environment and Water; and national regulatory authorities focusing on whole-of-government implementation of Australia's climate policy and ongoing development of the revised 2035 emissions reduction plan.

  The green bond framework for Australia was published in December 2023, and we were pleased to see many elements the collaborative engagement had advocated for reflected in the final framework, in particular a clearly defined use-of-proceeds, tight lookback period and inclusion of nature and biodiversity restoration activities.

CASE STUDY: Ongoing engagement with Ukraine

- **Background:** We have a longstanding relationship with Ukraine and we conducted three engagements with the issuer in 2023. We have been closely monitoring the developments in the war and the associated economic and financial impacts.
- **Engagement discussion and findings:** Macroeconomics is improving and confidence is slowly picking up, as shown by an increasing number of people returning to the country. Ukraine continues to receive significant economic, financial and military support from the EU, US and others. The light-touch IMF and European Commission Macro-Financial Assistance programmes are to continue. Reconstruction and debt restructuring conversations will be the focus for 2024, amidst the wartime developments.
- **Outcome:** We continue to monitor the situation and will engage regularly, with a follow-up engagement planned.

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, our analysts must carry out a minimum of two ESG-focused engagements. To be classified as an ESG engagement, the conversation with an issuer must have clear objectives and should focus on ESG issues. Analysts must document the engagement using the ESG engagement template, which is separate to the credit engagement template used for fundamental engagements. The Responsible Investment Team conducted several training sessions with the credit analysts in 2023 on how to prioritise companies and ESG issues for engagement, and setting clear and measurable engagement objectives.

ENGAGEMENT HIGHLIGHTS FROM 2023

CASE STUDY: Engaging with a multinational oil and gas company following a change in targets

- **Background:** Insight's engagement with the company followed a revision to its investment programme to keep oil production flat through to 2030, a change to the company's previous intention to reduce oil production by 1%-2% per year by 2030 and by 55% by 2050 under the former CEO's plan. Due to the contribution of the company to Insight's overall WACI, significant changes to the emissions trajectory could have a material impact on achieving Insight's own net-zero target.

  The objectives of the engagement were: 1) to obtain additional detail on the company's revised strategy and the impact, if any, on its long-term greenhouse gas (GHG) reduction objectives; and 2) to suggest the company improves its carbon disclosure framework to ensure enhanced transparency around GHG progress given the new strategy.
- **Engagement:** We asked whether the company can still meet its decarbonisation goals despite the change in targets. It believes its Scope 1 and 2 targets and carbon intensity targets are still achievable, but more challenging, as the updated plan means the company will sell less MWh of renewable power. The company was unable to answer if this new approach is aligned with a 1.5°C warming scenario.

  We also discussed our objective from a previous engagement, which focused on the company setting an absolute Scope 3 target. The company revealed its management team questioned the merits of setting an absolute Scope 3 target given the ease of successfully achieving the threshold via divestments. Management does not want to achieve targets through selling assets, as this would not change customer behaviour and it reduces the company's ability to interact with customers and deliver lower-carbon fuel to meet customer needs. However, given the pressure from investors, the company is currently looking into setting an absolute Scope 3 emissions target.
- **Outcome:** We highlighted to the company that we support Scope 3 emissions targets as they are crucial to achieving net zero. Although we understand the company's concerns regarding Scope 3 target-setting, targets should be supported by transparent disclosures on how a company plans to achieve Scope 3 emissions reductions and how they are ensuring that assets will be managed in a sustainable manner following divestment.

  Although the company emphasised that it was not changing any other targets, it was not able to provide any further details to show how it would meet its other targets or its 2050 net-zero goal. The company confirmed that it is releasing an updated energy transition plan in 2024 which will have further details and we will examine this closely in order to renew the engagement.

CASE STUDY: Understanding governance improvements at a large, global brewing company

- **Background:** We engaged with the multinational drink and brewing company. We hold its bonds across a range of funds, including the Responsible Horizons strategies.

  We previously engaged with the issuer on its low Prime governance rating of 4. The sub-factors that caused the poor governance rating were ethics and tax issues, which were driven mainly by controversies and disclosure issues. We were pleased to see the company's governance rating had since improved to 3.

  We engaged with the company in Q4 2023 on outstanding issues related to a third-party data provider attributing a low score to the company's labour management and ethics.
- **Engagement:** The data provider penalised the company for several issues around labour management. Firstly, on apparent evidence of limited collective agreements on working conditions, the company said it does not disclose its collective agreement statistic, so the data provider's <25% statistic is not accurate. The company further stated that collective agreement information is contained in a public filing and gave us some approximate statistics around the percentage of employees in several markets that are part of collective agreements.

  Secondly, on a perceived lack of labour standards in its supply chain, the issuer stated that it has a responsible sourcing policy in place, working closely with procurement teams to oversee the successful implementation of this policy. Additionally, the company is currently working on plans to enhance supplier engagement which will touch on labour management topics.

  On ethics, we recommended that the issuer discloses the specific frequency of its ethics audits and extends ethics training to all employees. The issuer responded it does intend to publish the frequency of its audits and plans to increase ethics training.

  We also asked about how its policy on ethics had changed over the previous 24 months, given its Insight Prime governance rating had improved. We specifically asked around tax given it was a key issue at our last engagement. The issuer indicated that while there remains a disclosure gap around tax, it had increased its tax disclosures, whereby the company now publishes a tax report. The company also stated that tax-related controversies have now been settled and they are waiting for the third-party data provider to upgrade the company.
- **Outcome:** The company's Insight Prime governance rating has improved from 4 to 3 over the last 18 months, driven by its improvement in ethics and specifically tax policy, especially with regard to disclosures.

  The remaining issue around labour management, for which the company has an underlying Prime score of 4.5, is partly due to a disclosure gap on collective agreements. However, the firm is planning to disclose this information via corporate social responsibility disclosures. We will continue to monitor progress on this front and on its key performance indicators.

  For these reasons and the company's overall Prime rating of 2 and its improved governance score, a follow-up engagement is unlikely if we see evidence of progress on the proposed improvements identified in this engagement. However, any deviation from goals or deterioration in its score could prompt re-engagement.

CASE STUDY: Engaging with a European bank on its human capital management

- **Background:** The European savings bank is predominantly focussed on retail banking. We engaged with the bank because a third-party data provider scores it poorly on human capital management and employee engagement, bringing its Prime corporate social rating down to 4.

  The bank recently went through a merger which led to a significant number of redundancies and the departure of some board members. This caused volatility at an organisational level, but a new CEO is now in position, which should lead to more stability. This provided a good opportunity for the bank to work on its ESG strategy and address the areas of weakness in its approach to human capital.

  Our objectives for this engagement were to convince the issuer to conduct an annual employee engagement survey, implement employee programmes based on any feedback, and to provide employee engagement results. We also highlighted the absence of diversity and inclusion targets at senior management level as an area of concern.
- **Engagement:** The bank stated its belief that it has made a big effort to advance its ESG strategy in the last few months, but the focus has primarily been on environmental rather than social initiatives. However, the bank conveyed it understood the requirement to progress its social policies.

  We asked the bank about any plans it has to issue employee engagement surveys; it responded that it was in the process of sending ESG materiality surveys to all employees to develop an understanding of stakeholders' greatest concerns from an ESG perspective. While this is a welcome step, the response indicated that it doesn't seem to collect feedback from employees on its own culture, which is concerning given the number of recent redundancies. We explained that mergers often cause cultural issues, and conducting employee engagement surveys and implementing initiatives based on the feedback can help to improve employee satisfaction and retention.

  The bank stated that it is committed to fostering a strong culture. The new CEO met with all the unions recently and is focused on understanding the views of employees.

  We also highlighted that we expected the bank to set additional diversity and inclusion targets, as there is currently only one target (for 40% women on the board). The bank highlighted that this had been a challenge before due to workforce changes but they knew it was an area to address.
- **Outcome:** We found the lack of employee survey concerning given the recent workforce changes. The bank expressed willingness to take our feedback on board and is looking to address our comments. We will assess its next report to understand if our feedback has been implemented.

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CASE STUDY: Challenging an automotive company as part of our thematic climate-change/engagement programme

- **Background:** The company is a multinational automotive manufacturing corporation. We engaged with the company as part of our net-zero engagement programme, which mandates we engage with the top 50% of our financed emissions by the end of 2023, increasing to 70% by the end of 2025.

  The company has faced criticism for the relatively slow electrification of its fleet and its limited investment in new electric vehicle models and electric vehicle sales comprise a relatively low proportion of total sales versus rivals. This is driven mainly by its large presence in the US market where models include a number of SUVs, trucks and other high-emission vehicles. This contributes to the company's weak Prime corporate environmental rating and Prime climate risk rating.
- **Engagement:** We asked the company about its lower proportion of battery electric vehicle (BEV) sales than its peers and if it anticipated this changing in the future. The company stated that its electric vehicle market share should be understood by taking regional differences into account. For example, it has a growing position in South America, the Middle East and Africa, areas which are behind the transition to electric vehicles. However, the proportion of revenue from these markets remains relatively low so this shouldn't be the key driving factors for a low proportion of BEV sales.

  The company did reveal that it has several plans to improve its proportion of sales from BEVs, including launching electric vehicles with competitive price points. The issuer believes its strategy to provide affordable electric vehicle solutions focused on the mass market will help increase the percentage of electric vehicles sold.

  In the US, the issuer is also launching electric luxury market SUVs that it believes will ramp up sales and will help to reduce the emissions from its vehicle profile. Likewise, it is launching the first electrically powered van in the US which has already received a large order.

  Overall, these steps will substantially increase the number of electric vehicle models by the end of the 2024.
- **Outcome:** Overall, our engagement with the company was positive. The issuer proved receptive to our comments and appeared to be addressing areas of weakness. Although the company produces a small proportion of electric vehicles compared with its peers, it plans to significantly increase the number of electric vehicles in 2024. We believe these steps should help the issuer improve its percentage of electric vehicles sold.

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: Aiding the efforts of an emerging-markets headquartered telecommunications company to improve its governance

- **Background:** The company provides telecommunication services across Latin America, the Caribbean, the United States and Europe.

  We have engaged with the company several times. We held an engagement in December 2022 after several improvements in governance, including the adoption of majority voting to improve minority the rights of majority shareholders and a reduction in the number of over-boarded directors, led to an upgrade by a third-party data provider.

  Our engagement in Q4 2023 continued our previous dialogue and focused on the company's board structure and remuneration policy, as well as diversity and inclusion issues. For example, the company's corporate governance procedures align with is domestic peers, but trail international best practice, with less than two thirds of its board classified as independent and less than a quarter female representation. In addition, it does not have an independent chair.

  Elsewhere, the company has two board committees focused on audit and pay oversight. Notably, both committees are only two-thirds independent, which is misaligned with international expectations for a fully independent audit committee. Executive remuneration is also not disclosed, which is allowed by Mexican regulation, but lags international standards.
- **Engagement:** We found the company to be receptive to our engagement and it requested we provided additional recommendations for improving governance and executive compensation transparency, in order to bring the issuer more in line with international peers.

  As a result, we provided the company with several examples of international best practice in its sector, including comparisons with its peers on diversity and inclusion.

  We communicated that improving transparency on executive compensation helps align company and investor interests, which in turn may result in more frequent investment from international investors. Likewise, we provided guidelines as to how it can most effectively align its remuneration policies with best practice, including how to structure a remuneration report and how governance can help drive sustainability incentives.
- **Outcome:** We intend to continue our constructive dialogue with the company and we are optimistic of continued improvement in key issues including governance, board independence and diversity, executive compensation transparency, labour management disclosures and climate action plans.

CASE STUDY: Exploring the sustainability reporting of a large oil producer

- **Background:** This engagement was initiated as part of a collaborative CA100+ initiative.

  We engaged with the Middle Eastern oil company to understand its carbon reduction strategy and make recommendations around public reporting. On reporting, the company made a number of positive developments in its first sustainability report, including making a net zero by 2050 commitment. However, this commitment only covers 'wholly-owned' operations (Scope 1 and 2 reporting), but does not report Scope 3 emissions related to downstream emissions. Following the CA100+ meeting, we also engaged with the company on a one-to-one basis to get clarity on the same themes.
- **Engagement:** During the meeting, the company conveyed that it is focused on the 'energy trilemma' – energy security (being the largest producer of oil and gas), affordability (striving to be a low-cost energy producer), and sustainability (the company is one of the lowest carbon intensity oil producers due to regional geology). The company's strategy is to continue to produce low carbon intensity oil, while relying on carbon capture and storage and nature-based solutions, rather than investing more heavily in renewables.

  The company's approach to emissions reporting is weak. For Scope 1 and 2 emissions, it focuses on upstream and fully operated assets. It is therefore unclear how the company is measuring and managing its downstream emissions. The company also does not report on Scope 3 emissions.

  The members of the CA100+ group highlighted that we would welcome a broader reporting on emissions, including downstream and Scope 3. The company highlighted that it focuses on assets within the company's control; control and influence are central to the Transition Plan Taskforce framework. The company is unwilling to report on Scope 3 emissions because it does not have confidence in the number.
- **Outcome:** We are disappointed that the company has not yet committed to Scope 3 reporting, which we regard as a significant reporting gap. We are monitoring its reporting and may escalate the engagement for discussion at Insight's Ratings and Exclusions Group if no progress is made.

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 may consider ESG factors as part of the fundamental analysis undertaken on originators, structuring of deals and risk and impact profile associated with underlying assets, 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 wider ESG risks to which secured finance assets themselves may be exposed, such as demographic, market, regulatory, technology and climatic changes. Determining ESG ratings for secured finance securities can be complex, as explained in **Section 7**.

- **Consumer loans/mortgages:** For securities we analyse ESG risks and impacts 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. In 2021/2022 we engaged with standard setters such as the Structured Finance Association to promote wider disclosure by issuers, but use a range of sources to assess risks and impacts as disclosure continues to evolve.

  New: In 2024, we are participating in the PCAF Secured Finance Working Group, which aims to create standardised disclosures for financed emissions associated with this asset class.
- **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.

- **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 disclosure has historically been limited. Nonetheless, disclosure continues to evolve as deals increasingly incorporate ESG performance criteria (such as exclusion thresholds).

  Given the structure of CLOs our focus is both on governance of material ESG risks and impacts by the CLO manager, as well as the ESG characteristics of the underlying deal.

  We intend to encourage greater ESG disclosures across CLO issuance, following the progress we have made on consumer and commercial loans previously. One example of this is Insight's work leading production of a handbook on CLO climate and sustainability reporting in October 2023 together with a number of CLO industry working groups.

- **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. Insight is co-chair of the organisation's Loan Investor Committee and a member of the ESG Committee. We also increased our participation in 2023 by joining the Diversity, Equity and Inclusion Committee.

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CASE STUDY: Working with a UK property finance company to formulate an ESG reporting framework

- **Background:** The company is a UK provider of short-term mortgages backed by UK residential and commercial property. We held our first meeting with the issuer to understand its overall business, including how the issuer incorporates ESG considerations within its overall lending framework.
- **Engagement:** The company is a relatively small business and is in the process of developing its ESG framework. It was keen to learn about Insight's ESG preferences as an investor and our thought leadership within the ESG space to support the development of its new ESG framework.

  The company currently incorporates environmental considerations within its lending framework in a number of ways, including looking at opportunities to finance the refurbishment of properties to gain a higher energy performance certificate (EPC) rating and providing financing to properties with planned electric-vehicle charging capabilities.

  On governance, the early-stage nature of the business means its internal governance frameworks are still being developed. Insight provided feedback on how to build and improve the governance framework, which was well received.

  We identified the company's documentation of its processes and how it captures ESG-related data as a key area of improvement for the issuer. Insight is monitoring how the company develops and improves these areas.
- **Outcome:** We agreed to speak quarterly with the issuer to understand the development of its ESG framework, provide feedback and enable it to adequately improve the framework. We also agreed to send thought leadership pieces to the company on a periodic basis to help develop its thoughts.

  Following the call, the company revealed it is developing a product that financially incentivises positive ESG outcomes from its loans.

US MUNICIPAL BONDS

Historically, direct engagement has been challenging within municipal bond strategies, with less access to management typically than for corporate issuers.

We have engaged in collaborative engagement focused on US municipal bond issuers. See **Section 10** for information on the CDP Municipal Disclosure Campaign.

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**.

Counterparty engagement programme

We believe that the banking industry can have both a direct and indirect impact on systemic sustainability issues such as climate change and nature. Financing companies gives banks a degree of control over the allocation of capital both towards and away from specific industries. We therefore see banks as being systemically important organisations and engagement on these issues can help to support the long-term sustainability and resilience of financial markets. Our counterparty engagement programme addresses systemic sustainability risk and also adds further structure and focus to our efforts to reduce counterparty ESG risk and achieve positive outcomes for our clients.

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 two years. 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 33 engagements across 16 counterparties. We are looking to build on the relationships we have developed with the counterparties through the programme in the second phase, which is being launched in 2024.

Engagements have provided an opportunity to discuss the findings from the benchmarking exercise in more detail and to provide recommendations to improve. We are monitoring the progress of the counterparties and continue to follow up where necessary. We are enhancing the questionnaire in early 2024 to respond to the changing ESG landscape. The new questionnaire includes the following sections:

- Climate change
- Natural capital
- Human rights
- Diversity and inclusion
- Business ethics
- Pay

The change in questions in the 2024 version of the questionnaire reflects the changing landscape around ESG which has increased regulation and stakeholder expectations across a number of topics.

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: Encouraging positive progress at a Canadian bank

- **Background:** We engaged with a Canadian bank on a number of occasions across 2022 and 2023 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 understand more details. We provided our recommendations in a written report which was sent to the bank in Q4 2022 and we scheduled a follow up engagement in 2023 to understand if the bank had implemented any of our recommendations.
- **Activity**: In the follow-up engagement, we discussed Insight's feedback report in detail.
  - 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 does not include a coal phase-out date, and the revenue threshold for coal financing is the highest out of all surveyed counterparties. The bank highlighted that it was aware that its policy was weak and this is the something that the bank was actively looking to address. Rather than excluding clients, the focus has primarily been on engagement; however, the bank flagged that it had rejected deals with clients which would negatively impact the bank's power or energy financing target. The bank discloses minimal details on how it engages with clients.
  - We discussed the bank's CDP score, which deteriorated from A- to C. We provided targeted recommendations which would help improve the score, including signing up to RE100, a global corporate renewable energy initiative.
  - We previously engaged with the bank on its executive remuneration, as we found that these disclosures were vague and the objectives used were qualitative in nature. When we re-engaged with the bank in 2023, the bank revealed that it had linked its executive remuneration to its decarbonisation strategy, which includes its carbon reduction targets. This has strengthened the link, making it clearer and more transparent for stakeholders to understand how that element of remuneration has been achieved.
- **Outcome:** The bank was receptive to our feedback and has provided good access to management on several occasions. Following the engagements, we sent a written feedback report to the counterparty, which stated it is reviewing the recommendations.

  We were pleased to see 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 continue to engage to understand progress against our other recommendations. A new counterparty questionnaire will be issued to the bank in 2024.

CASE STUDY: Monitoring ESG developments at a US bank

- **Background:** We met with a US investment bank several times during 2022 as part of our counterparty engagement programme. The bank scored poorly so we engaged with them to provide feedback on how to improve performance. Since the engagements in 2022, we have been monitoring developments. We were disappointed to see a lack of progress in 2023 so we held an engagement with more senior stakeholders, including the bank's chairman, to discuss the issues.
- **Engagement:** We gave the bank's impact bond framework a red rating due to poorly defined use-of-proceeds category targets. The engagement confirmed these remained poorly defined so the rating will not improve.

  The bank's fossil-fuel financing policy was weak. The engagement confirmed that the bank was not considering updating the policy due to the political backdrop in the US. While this is unsurprising, the bank did not give us comfort that it was managing its environmental and social risks in lending effectively through other measures.

  The bank was one of the only surveyed counterparties to not have any link between executive remuneration and ESG factors. During the engagement, the bank highlighted that while this has been considered in the past, such a link is unlikely any time soon.
- **Outcome:** We continue to monitor the bank's progress in the objectives we set. After we reissue the counterparty questionnaire in Q1 2024, we will assess whether to escalate this engagement further.

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 2023:

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-a2strategy.

H1 2023

Engagements: We engaged with an exchange counterparty in relation to the proposed launch of derivatives on ESG-screened UK equity indices. The discussions are part of our initiatives aimed at fostering the development of and encouraging adoption of ESG-screened exposures.

Governance: Our activities included meeting with the chairman of a social and public infrastructure holding to review board governance around succession planning, and also its approach to the challenges in meeting social objectives in its sub-delegated responsibilities.

In relation to a renewable infrastructure holding, we discussed how the company is working with local authorities to increase the depth of skills required to support wind farm operations in its surrounding local areas. The company has continued to support community initiatives aimed at improving local amenities, infrastructure, and educational projects.

Elsewhere, we reviewed the progression against 2022 sustainability goals with the investment manager of one of our renewable infrastructure holdings. This included, for example, how they conducted a trial of sustainability-focused workshops resulting in biodiversity enhancement plans for some solar and wind assets in the UK and Ireland.

H2 2023

Engagements: We engaged with an exchange and index provider on the attributes of a recently launched derivative on an ESG-screened UK equity index. We plan to monitor market demand as the instrument's adoption continues to evolve in the future.

Governance: We engaged with the investment manager of a renewable infrastructure holding to review their progression on ESG-linked KPIs. The company collected sustainability-related data for the first full year and reported good progress on ESG KPIs. We plan to engage with the company in the future as it continues to develop its ESG-related disclosures.

In relation to another renewable infrastructure company, we engaged with the investment manager to review the role of a newly created ESG Committee as part of its independent board. The committee is expected to oversee sustainability related initiatives; for example, setting up science-based targets, funding for community-based projects, and developing appropriate sustainability-based performance indicators. We plan to review progress with the company in future engagements as it continues to enhance its approach to responsible investment.

Elsewhere, we engaged with the investment manager of a social infrastructure holding to review their contribution to the Infrastructure and Projects Authority Net Zero Working Group. The working group is developing a framework for achieving net zero in the social infrastructure sector in the UK. The framework is considered essential in planning and tracking progress towards decarbonisation targets over time. We plan to have further engagements with the company as it progresses its decarbonisation plans in the future.

Specifically, in relation to direct holdings in infrastructure companies, we set out below our voting and engagement summary.

Figure 24: 2023 voting and engagement summary

Strategy holdings	Total engagements	Engagements with IM	Board engagement	ESG discussion	Proactively raised topics	Proposals for vote	Voted for	Voted against
Social and public infrastructure								
HICL Infrastructure	2	1	1	2		15	100%	
International Public Partnerships	3	1	1	1	1	18	100%	
Renewable energy								
Greencoat UK Wind	3	3		2		15	100%	
Renewable Infrastructure Group	2	2		1		16	100%	
John Laing Environmental Assets	2	1	1	2		16	100%	
Aquila Euro Renewables Income	3	2	1	1	1	14	100%	
Ecofin US Renewables Infrastructure	4	3	1		1	16	100%	
SDCL Energy Efficiency Income	3	2	1	1	1	16	100%	
Economic infrastructure								
3i Infrastructure	2	2		1		15	100%	
Digital 9 Infrastructure	5	2	3		1	12	100%	
Infrastructure debt								
GCP Infrastructure Investments	4	2	1	1	2	11	100%	
TOTALS	33	21	10	12	7	164		

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 clients' desired outcomes. 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: – Inaugural PRI sovereign collaborative engagement – 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 PRI and IIGCC, which Insight has supported for nearly two decades. We have participated in several such initiatives, including the PRI's inaugural sovereign engagement, and the IIGCC's sector engagement strategies.

We select collaborative initiatives to participate in based on their importance to Insight's clients, the contributions we belive we can make to the goals of the initiative and the philosophical alignment with our 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+	Investor signatory Member of Engagement Working Groups for seven specific issuers
European Fund and Asset Management Association	Corporate member Member of Stewardship, Market Integrity & ESG Committee

Organisation/initiative	Insight's role
European Leveraged Finance Association (ELFA)	Member Co-lead of Loan Investor committee Member of ESG committee
Farm Animal Investment Risk and Return (FAIRR)	Investor signatory Lead investor for one engagement group and active participant in several engagement programmes
IASB Investors in Financial Reporting Programme	Member
Institutional Investors Group on Climate Change (IIGCC)	Investor member Member of Bondholder Stewardship Working Group Member of Sovereign Bonds and Country Pathways Working Group Involvement in chemicals sector working group and engagement programme
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 Member of Sustainability-Linked Bond Working Group
Investment Association (IA)	Member Member of Sustainable Investment Committee Member of Climate Change Working Group
Net Zero Asset Managers initiative	Signatory
Partnership for Carbon Accounting Financials (PCAF)	Committed Member of Upstream Scope 3 Working Group Member of Secured Finance Working Group
Principles for Responsible Investment (PRI)	Founding signatory Member of PRI Advisory Committee on ESG in Credit Risk and Ratings Involvement in inaugural collaborative sovereign engagement
Taskforce on Nature-related Financial Disclosures (TNFD)	Member of the TNFD Forum
Task Force on Climate-related Financial Disclosures (TCFD)	Supporter
Transition Pathway Initiative	Supporter
UN Global Compact	Active participant
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 2023 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**

  Insight has supported the Advisory Committee on ESG in Credit Risk and Ratings initiative since inception in 2016. 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.

  In 2023, in addition to our role on the Advisory Committee, we have been involved in the co-design process of the PRI's proposed Progression Pathways initiative, which will support signatories in the progression of ESG integration and responsible investment practices.

  In 2023, we were pleased to participate in a PRI-led advocacy working group dedicated to engaging with Australia on sovereign climate-related financial risk. This collaborative engagement is a pilot exercise coordinated by the PRI to establish best practice for engagement with sovereign issuer. More information on this engagement is in **Section 9**.

  Another major initiative for the PRI in 2023 was the launch of the Assessing Climate Related Opportunities and Risks (ASCOR) framework, which is expected to be widely used for engagement with sovereigns.

  Outcome: While there is currently no internationally agreed framework for assessing any climate-related risks and opportunities associated with sovereign debt instruments, during the year, we conducted engagement meetings with the working group and the issuer, including with the treasury department on the structuring of the first federal green bond programme, the department of climate change on Australia's upcoming 2035 nationally determined contribution (NDC) climate targets, and the department of industry on development of a responsible critical minerals strategy.

  Through the pilot programme, we have also engaged with the International Public Sector Accounting Standards Board (IPSASB) which is in the process of creating a climate disclosure standard for sovereigns, and have highlighted to the Australian government the value of such disclosures to investors. We will continue to engage with Australia across federal government departments, national agencies and regulators and state-level government in 2024.

  Insight provided detailed feedback on the ASCOR framework and participated in a workshop with a number of sovereign issuers on the usability and relevance of the framework to investors. We were pleased to see our feedback incorporated in the final framework, which was launched in December 2023.

- **ESG disclosures in ABS markets**

  Following previous engagement with issuers and ICMA in 2022 to explore the potential for improved ESG disclosures for different ABS asset classes and define ESG-related KPIs for the auto industry, in 2023, we continued our participation in the working group with a focus on RMBS.

  After the proposed KPIs for auto ABS were agreed with the ICMA, the working group continues to advocate for increased use by issuers.

  Outcome: In 2023, the working group made progress toward agreeing on KPIs for RMBS, including a carbon emissions assessment methodology and reporting structure. The group also supported defining KPIs for CLO assets, as also described in our work on ESG disclosures in the loan market. 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. Insight is co-chair of the organisation's Loan Investor Committee and a member of the ESG Committee. We also increased our participation in 2023 by joining the Diversity, Equity and Inclusion 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 October 2023, Insight led the production of a handbook on climate and sustainability disclosures in CLOs. This publication was the result of a collaborative effort, bringing together ELFA members' expertise from across ELFA's ESG Committee, Loan Investor Committee and CLO Investor Committees. Although the report widely refers to CLOs, CLO managers and CLO investors, it is directly relevant to any type of loan fund, fund manager and fund investors.

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. 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 2023, we engaged with several companies that are included in the CA100+ focus list, both independently and as part of collaborative engagement working groups. In 2023, we expanded our involvement in Climate Action 100+ by joining a number of additional collaboration engagement working groups, based on criteria such as the size and scope of our investment exposure and the issuer's carbon emissions.

  Examples of collaborative engagements we supported through CA100+ 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.

  Outcome: In 2023, we engaged the company several times. During our engagements, 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 2023, the company established formal oversight of sustainability issues with the formation of its board-level Sustainability Committee, which has received support from the CEO, members of board and the government. The CA100+ working group met with the president of the committee, who described the progress made since its first meeting was held in March 2023. The local treasury ministry and the environment ministry have both acknowledged the importance of the energy transition for the country and the long-term viability of the company.

  In 2024, we intend to continue our dialogue through both the investor group and directly with the company, on topics including disclosures and methane emissions. We also aim to join additional working groups including the state-owned enterprise collaborative group, to better understand the importance, challenges, and solutions available to companies under direct influence of sovereign states.

- **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, industry alignment and bondholder stewardship.

  In December 2022, the IIGCC launched a Bondholder Stewardship Working Group. 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.

  Insight joined the working group at its launch and has been an active participant on several projects. In 2023, we joined the IIGCC's Sovereign Bonds and Country Pathways Working Group, which will publish a best practice disclosure handbook on net-zero alignment of sovereign bond holdings, taking an active role in drafting a number of chapters. This will complement the recently launched ASCOR assessment framework and outputs from the group will feed into an update to the IIGCC Net Zero Investment Framework to be published in 2024.

Outcome: In 2023, the Bondholder Stewardship Working Group published its Net Zero Bondholder Stewardship guidance document which provides guidance for bond investors to enhance their stewardship practices to enable the rapid decarbonisation needed to achieve a net-zero world by 2050. We were an active member of the working group developing the guidance, and contributed input and feedback, including case studies illustrating our approach to bondholder stewardship best practices on several topics.

In 2023, we joined the IIGCC's chemicals working group as co-lead investor supporting research and engagement programmes focused on the sector. We led quarterly working group meetings focused on progressing guidance and educational resources for investors. We were pleased to publish the Expectations for Chemicals Companies Transition to Net Zero, which was supported by a group of 20 investors and aims to help investors to assess performance of chemicals industry participants, building on the Climate Action 100+ Net Zero Company Benchmark.

- **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 2023, 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 over 90 signatories overseeing over $16 trillion in assets. In 2023, the Valuing Water Finance Initiative published its inaugural benchmark report, which evaluated water stewardship performance for each of the 72 focus companies and within sectors.

  Outcome: In 2023, we participated as co-lead investor in several Valuing Water Finance Initiative collaborative engagements. As a co-lead investor for the engagement, we acted as the primary contact for coordination with the investors group, defined 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. We were pleased to see incremental progress with issuers' water stewardship performance and aim to continue our constructive dialogue to influence further improvement.

  In 2024, we aim to expand our focus on natural capital to engage with companies on a wider range of material natural capital issues across operations, supply chains, and downstream impacts. A thematic research series throughout 2024 will help inform priority issuers and geographies for engagement.

- **Farm Animal Investment Risk and Return (FAIRR):** The FAIRR Initiative is a collaborative investor network representing over $70 trillion in assets, that raises awareness of the ESG risks and opportunities brought about by intensive animal agriculture. The food and agriculture industries are essential to the intersection of several sustainability imperatives including food security, health, and the net zero transition. From a GHG emissions perspective, 14.5% of global GHG emissions originate from the protein value chain. The majority of food and agriculture emissions, risks, and impact opportunities are within corporate supply chains, where large companies have immense influence over small suppliers.

  In 2023, we joined the initiative to support our stewardship goals by helping to exercise our influence as responsible stewards of capital through FAIRR's thematic research and structured engagements, while safeguarding the long-term value of investment portfolios.

  Outcome: In 2023, we joined several engagement programmes focusing on issues including climate action, labour management and natural capital protection. In 2024, we were pleased to have been selected to be the co-lead investor for a working group focused on a major UK retailer and aim to be active participants in several other working groups.

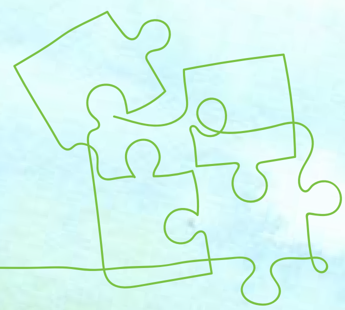
- **CDP engagements to encourage greater transparency:** CDP data is a key input into Insight's Prime climate risk ratings. Inadequate disclosure undermines efforts to support a low-carbon economy by making it more challenging to evaluate climate action performance. In 2023, Insight continued to support CDP by participating as a co-signing investor in two of CDP's campaigns including the CDP Non-Disclosure Campaign and CDP Municipal Disclosure Campaign.

Outcome: The 2023 CDP Non-Disclosure Campaign engaged over 1,600 high-impact companies to disclose environmental data across three topics: climate change, forests and water security. For the first time in 2023, CDP's Water Security questionnaire provided the opportunity to disclose information on plastic-related impacts. We were pleased that the companies engaged on water security continued to increase, which supports Insight's thematic priority to engage companies on water stewardship. We were the lead investor for two focus companies. We engaged the companies directly on climate change and water security disclosures and reported feedback to CDP.

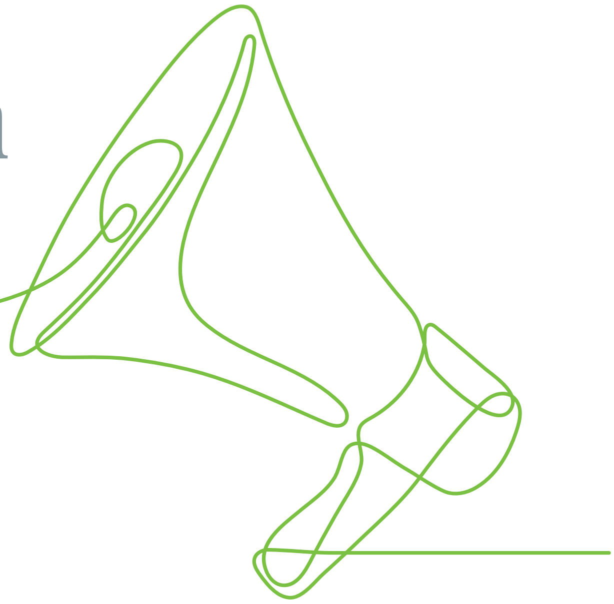
In 2023, the CDP Municipal Disclosure Campaign was supported by 20 investor signatories representing over $8.1 trillion in assets, a significant increase from the nine investors supporting the campaign the previous year. The increase in campaign supporters illustrates the increasing interest in higher quality and more standardised disclosures from municipal debt issuers. The Municipal Disclosure Campaign engaged 791 issuers, an increase of 16% over 2022, to request disclosure across three types of municipal questionnaires covering municipalities; public authorities; and states, provinces, or territories.

Our effort to improve transparency on CDP disclosures continued in 2023 and we intend to engage directly with issuers in 2024 who do not report to CDP. The progress on increased disclosures for municipal issuers is a positive improvement to more accurately assess risks such as climate change.

- **Ceres:** In 2023, Insight participated in several collaborative groups including the Paris Aligned Investment Working Group and the Policy Working Group.
- **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. In 2024, on the back of the green bond carbon footprinting research published by Insight in 2023, one of the objectives of the ICMA Working Group on Impact Reporting is to explore existing green bond carbon footprinting methodologies and consider the evolution of methodologies to include in the Handbook Harmonised framework for impact reporting.
- **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 Secured Finance Working Group in 2024, which is working to standardised financed emissions disclosures for the asset class.



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	• In 2023, we developed our approach to escalation further. – We introduced oversight of issuers with worst-in-class Prime ESG ratings, and issuers without a rating, to the remit of the REG; the REG may determine whether any additional engagement or escalation is required – We introduced new escalation stage ratings for our ESG-focused engagements to determine whether an engagement should be escalated and how • We outline how we approach escalation across different areas of our business, and offer a range of case studies, 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 (in very limited cases) 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.

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 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**.

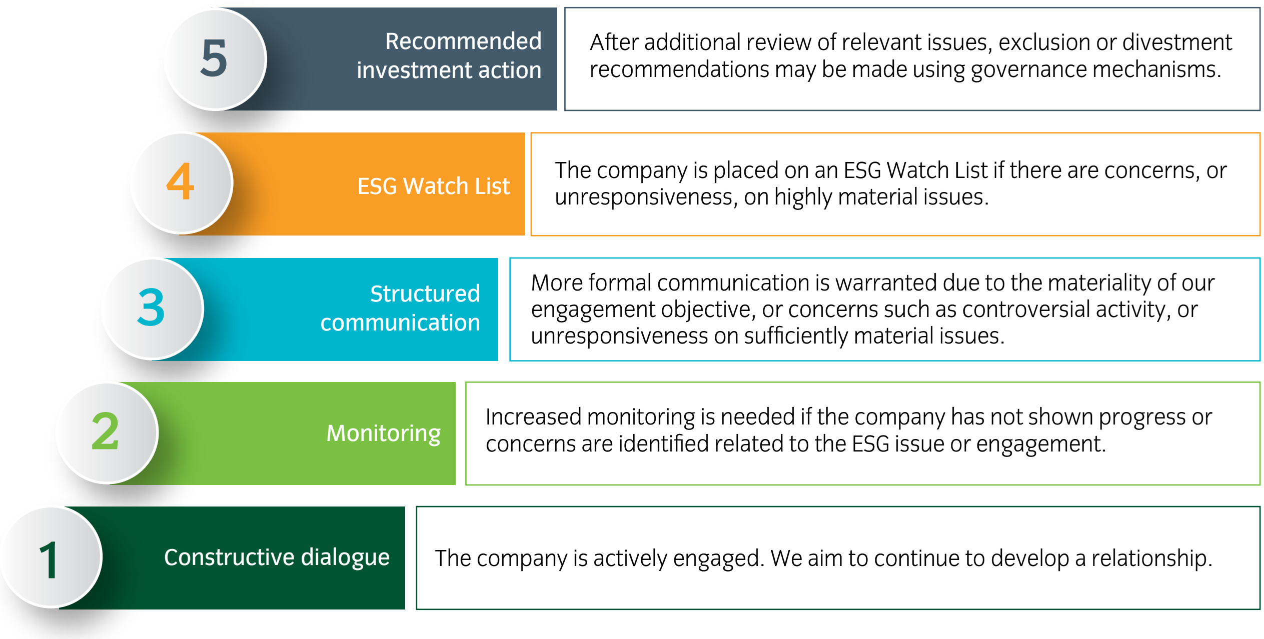
New for 2023: Oversight of worst-in-class Prime corporate and sovereign ESG ratings

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 reviews 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 approach, which was implemented in 2023 (discussed further in **Section 5**), we 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 log.

Figure 25: Insight's escalation stages assess receptiveness to dialogue[33]



[33] For illustrative purposes only.

CASE STUDY: Investigating governance at a multinational telecoms group after a senior executive's arrest

- **Background:** When a senior executive at an international subsidiary of a multinational telecoms and mass media group was arrested by police on suspicion of multiple crimes including fraudulent transactions and money laundering, we considered the allegation as a serious fraud-related controversy that indicated a breach of good governance. We attended a meeting with the company's owner and CEO to establish the extent of the governance failure, understand its internal controls and the measures it proposes to restore confidence.
- **Engagement:** During our engagement, the issuer indicated it is taking swift action to deal with the controversy. Several suppliers had been terminated and the company planned to terminate any suppliers with connection to the allegations. The issuer revealed new governance structures are being established, with new reporting lines set up in the procurement team and a new head of procurement.
- **Outcome:** Since the subsidiary is not covered by third-party ESG ratings agencies, we used a survey to obtain an ESG rating. The lack of reliable third-party ESG data was one of our concerns, due our inability to objectively confirm our assumptions, and contributed to a downgrade in the company's Prime ESG rating. As the governance is fairly consistent across the group's entities, we decided to link the subsidiary's Prime ESG rating to a partner company's Prime ESG rating. The rating of 5 (the worst possible) indicates an industry laggard which results in an escalation to investment restrictions due to a failure of good governance. The worst-in-class ESG rating also resulted in investment restrictions in certain portfolio types: the issuer's bonds are considered uninvestable for Insight's investment strategies that align with Article 8 and Article 9 under SFDR. We note that in 2024, the company has indicated that bondholders may be required to bear some costs to assist with the company's deleveraging plans. Our exclusion of the issuer from some portfolios therefore avoided exposure to significant volatility, protected value and effectively managed potential reputation risk for our clients in early 2024.

CASE STUDY: Investigating a German car manufacturer's social controversy and carbon neutrality goal

- **Background:** We have had a long-standing engagement programme with German multinational automotive manufacturer on a variety of social and environmental issues, most recently on its supply chain and factories in China, due to forced labour allegations. While the company's United Nations Global Compact (UNGC) violation requires an automatic downgrade of the framework, we wanted to understand its progress in addressing the controversy. As a result, the issuer had a controversy score of zero (the lowest possible) from a third-party data provider related to the issues surrounding the allegation of forced labour, leading to an automatic red rating under the Insight impact bond assessment framework.
- **Engagement:** In 2023, we engaged the company several times on various topics, including forced labour, a green bond issuance, and concerns about some of the company's decarbonisation targets. During our engagements, we were not satisfied with the responsiveness of the company. We were disappointed with several responses, including its commitment to achieving carbon neutrality rather than net zero. Further, it was concerning that almost one year on from the controversy leading to a third-party downgrade, an external audit of the facility in question still had not occurred.
- **Outcome:** Following engagement, we escalated our concerns to Insight's REG by proposing further investment restrictions be implemented. The company's green bonds will retain a red rating under Insight's impact bond assessment framework, meaning they remain ineligible for our Responsible Horizons strategies, which we communicated to the issuer. The UNGC violation also resulted in the escalation to investment restrictions, where Insight's strategies that align with Article 8 and 9 under SFDR are unable to hold the conventional bonds of the issuer.

CASE STUDY: Evaluating climate-related risk from thermal coal business activities

- **Background:** In our view, thermal coal does not present a viable long-term fuel source in a world which is reducing carbon emissions due to the technically, and commercially, viable alternatives to thermal coal energy production. We believe, therefore, that businesses that rely on thermal coal as an important part of their operating model, by extension, face elevated long-term risks. In addition to a substantial pecuniary risk to direct holdings, we are also conscious of the indirect systemic risks resulting from such investments. In 2022, Insight acted to assess risks related to thermal coal within our investment portfolio by establishing our position on thermal coal. We conducted an assessment of issuers within our investment portfolio to evaluate thermal coal risk and phase-out plans, which was reinforced by an extensive engagement program to validate our research and assess responsiveness to the risks we identified.
- **Outcome:** While we were pleased with the performance and progress made by issuers across geographies, markets, and sectors, many did not meet our expectations. As a result of our research and engagement programme, we escalated several issuers to various levels. Issuers were escalated to stage 2 (monitoring), 3 (structured communication), 4 (watch list) and 5 (investment restriction). It is our approach to escalate when issuers did not meet our expectations on highly material issues, and use investment restrictions as a last option. To illustrate our approach, two issuers reached the highest escalation stage, where we placed investment restrictions on securities maturing beyond 2040 due to the pecuniary risks we see in funding the issuers beyond this date where no genuine transition plan existed.

ESCALATION WITHIN INSIGHT'S RESPONSIBLE HORIZONS STRATEGIES

Alongside financial objectives, 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

Figure 26: Insight's sovereign ESG flag system

	Radar	Red flag	Black flag	Green flag
Risk and impact	A list of countries that could conceivably experience a negative ESG risk event or deterioration that would warrant the application of a flag	A negative ESG risk or impact/controversy event or deterioration that should be highlighted but does not lead to a sell event	A material negative ESG risk or impact event or deterioration that means portfolio managers of strategies aligned with SFDR Article 8 or 9, or Responsible Horizon strategies, or firm-wide should, where legally able, sell any holdings within a 30 day period and not purchase. Downgrade of Prime sovereign ESG risk and impact ratings to 5 (the worst possible)	A positive ESG risk or impact event or improvement that should be highlighted

ESCALATION OF ISSUES AFFECTING DERIVATIVES

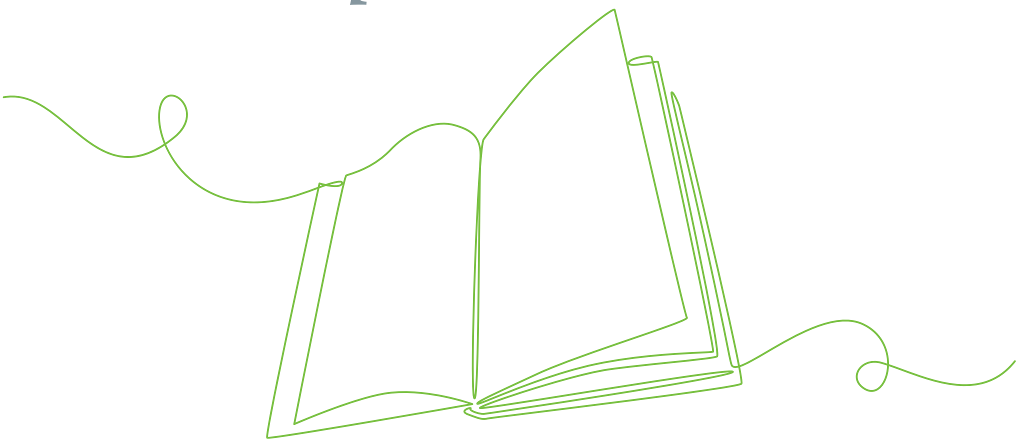
Our risk management (LDI) clients are frequently exposed to wider issues affecting how markets function, and as a result Insight has an extensive programme of engagement. For priority issues with a significant potential impact for our clients, Insight may escalate our engagement. In 2023 there were no 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 2023.

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	• In 2023, we made the strategic decision to exit the equity business, to refocus on Insight's core business of fixed income investment management. • In 2023, equity holdings were 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 2023. Our voting record is available here. • Insight voted against management recommendations 72 times in 2023.

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. A portion of our equity exposure is achieved via derivatives,which limits our ability to engage through voting.

In 2023, we made the strategic decision to exit the equity business, to refocus on Insight's core business of fixed income investment management.

While the vast majority of equity holdings were moved outside of Insight control by the end of 2023, we continue to own a limited amount of equity holdings via our multi-asset investment strategies. As a result, we have maintained our Proxy Voting Group and governance structure to ensure we continue to exercise our rights and responsibilities appropriately.

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 aim to 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 ("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. 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.

ENHANCEMENTS AND UPDATES IN 2023

- The PVG, which oversees all voting activities, utilised the enhanced escalation process for contentious and conflicted resolutions, which was established in 2022.
- The PVG posted voting activity regularly after votes were executed using an API feed direct from our voting agent allowing clients to see how we cast their 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. A distinction is made in our public disclosures between Insight discretionary votes and client-directed votes. The Group meets semi-annually, 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.

In 2023, we updated the PVG membership to reflect Insight's decision to exit the equity business. The PVG is chaired by a Senior Stewardship Analyst (who has no direct day-to-day investment discretion) and attended by portfolio management personnel, a Market Operations Manager (Vice Chair), Corporate Risk, Compliance and Operations personnel. The PVG is accountable to and provides semi-annual 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 52 companies over 2023 for nearly 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

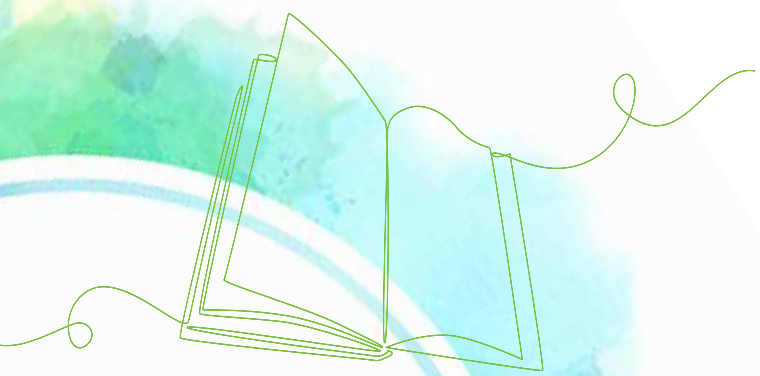
Insight seeks to mitigate 'empty voting' and does not engage in share lending. However, some BNY Mellon funds, for which Insight acts as investment manager, do engage in share lending. The share lending team at BNY Mellon does not lend the entire position to allow voting on a portion of the position 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. Any issuer that has negotiated a covenant waiver is added to an internal watchlist, which provides for increased scrutiny and oversight. 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 regular 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.

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.

Table 2: Insight Investment voting on management resolutions in 2023

	Abstain	Against	For	Withhold	Grand Total
Appropriate Profits			1		1
Auditor - Election	1		44		45
Auditor - Remuneration			40		40
Board Committee			6		6
Capital Structure			1		1
Company Purpose & Strategy		1			1
Directors - Discharge			3		3
Directors - Elect	7		411		418
Dividends		1	39		40
Environmental Practices	1		2		3
General Meeting Procedures			30		30
Human Rights & Workforce		1			1
Issue of Shares & Pre-emption Rights			113		113
Meeting Formalities			3		3
Other A&R related			1		1
Other Articles of Association			17		17
Other Corporate Action			2		2
Political Activity			18		18
Remuneration - Amount (Total, Collective)	2		1		3
Remuneration - Amount (Total, Individual)		3			3
Remuneration - Non-executive			2		2
Remuneration - Other	2		1		3
Remuneration - Policy (All-employee Share Plans)	1		3		4
Remuneration - Policy (Contracts)			1		1
Remuneration - Policy (Long-term Incentives)	6		1		7
Remuneration - Policy (Overall)	11	2	4	2	19
Remuneration - Report	27	1	12	5	45
Report & Accounts			44		44
Share Buybacks & Return of Capital			49		49
Sustainability Reporting			1		1
Transactions - Related Party			1		1
Transactions - Significant	2		9		11
Treasury Shares			5		5
Grand Total	**60**	**9**	**865**	**7**	**941**

Insight voted on 100% of resolutions brought to its attention on relevant funds and voted in line with management recommendations in c.92% 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 2023, we voted against recommendations by management in the resolutions shown below.

Table 3: Insight's votes which opposed management recommendations in 2023

	Count of Actual Vote
Auditor - Election	1
Directors - Elect	7
Environmental Practices	2
Remuneration - Amount (Total, Collective)	2
Remuneration - Amount (Total, Individual)	3
Remuneration - Policy (All-employee Share Plans)	1
Remuneration - Policy (Long-term Incentives)	6
Remuneration - Policy (Overall)	15
Remuneration - Report	33
Transactions - Significant	2
Grand Total	72

Table 4: Sample of voting decisions

Company	Event	Resolution	Management recommendation	Insight's vote	Insight's rationale	Vote result
Oil and gas company	AGM	Shareholder resolution on climate change targets.	Against	For	Several third parties, and Insight's internal net-zero analysis, concluded that the company's medium-term climate action plan and targets are not aligned with the Paris Agreement's ambition of limiting global warming to well below 2°C above pre-industrial levels. We were concerned by the company's revised plans to sustain oil and gas production at higher levels than previously anticipated, and the lowering of medium-term climate action targets, and these actions may have negative implications for long-term financial value.	Resolution defeated
Oil and gas company	AGM	Shareholder resolution requesting the company align its existing 2030 reduction target covering the GHG emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement.	Against	Abstain	We had concerns over the unspecific nature of the request given the company's performance on climate action, including continued emissions reductions year-on-year. The company had already set precedent by establishing short, medium, and long-term GHG emissions reduction targets and illustrated alignment to existing targets.	Resolution defeated
Market Wide	AGM	Remuneration – report	For	Abstain	Our standard approach is to abstain on remuneration resolutions on ground 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

Appendices

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	Independent Non-Executive Director (Chair) Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Non-Executive Director Non-Executive Director CEO COO CFO Global 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 Global 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	Independent Non-Executive Director (Chair) Independent Non-Executive Director Independent 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) Independent 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	Independent Non-Executive Director (Chair) COO (Deputy Chair) CFO Non-Executive Director Head of Programme and Product Consultancy 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	Global CRO (Chair) Chief Compliance Officer (Deputy Chair) General Consel Head of Client Solutions Group Head of Corporate Risk CEO NA
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 Global 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 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 Operational Resilience 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
Nomination Committee	The purpose of the Insight Nomination Committee is to assist the Insight Board in establishing and maintaining a functioning board that is appropriate in size, skills, experience and diversity. The commitee is responsible for making recommendations to the Board regarding changes to the Board and to senior management.	At least annually. Additional meetings may be called with the agreement of the Chair.	Non-Executive (Chair) CEO (Deputy Chair) Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Non-Executive Director

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 properness 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); and
- Insight Investment International Limited (IIIL): Investment Manager

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 and IIFM's role as the ACD to a range of pooled funds, 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, in the course of performing its duties, conflicts of interest may arise between the ACD, the Company, the Shareholders and the Depositary.

Where such conflicts of interests cannot be avoided, the ACD and the 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.

FCA's Principles for Business requires 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 Securities and Exchange Commission (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.

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 IIIL 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 the Scheme Prospectus document makes reference to specific conflicts in relation to the UK ACD and pooled fund business. For IIIL the US related conflicts are disclosed via the SEC ADV filing.

Potential Conflict Scenario	Procedures to prevent material risk to clients
One client/portfolio vesrus 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.	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 and SEC and NFA rules.

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.	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.
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.	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.
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.	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.

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.	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 relevant external interests such as directorships 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. In addition, Investment Managers and Analysts have additional obligations under the Rules, to disclose quarterly their personal interests in companies for which they have either conducted research on, or which they hold in their client portfolios. The Personal Trading Policy also extends to the employees' household. Insight operates a Staff Remuneration and Performance Management Policy in line with the FCA 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

Overview

Our purpose is to support our clients in meeting their investment objectives. We aim to do so by overseeing our clients' capital in a responsible manner, and by creating value for our clients as specified in our agreements with them.

The mandates we operate vary across asset type and geography, but are underpinned by our belief that well-managed entities are likely to be better investments; in our view they are less likely to have potential downside risk and will therefore help achieve investors' desired outcomes with greater certainty. To effectively manage investments on behalf of our clients, we seek to take account of factors that drive investment returns, work with issuers in which we invest to help ensure these factors are appropriately and prudently managed, and collaborate with stakeholders in and beyond the investment industry to create the conditions for long-term investors and their clients to thrive.

As investors acting as agents on behalf of our clients, we have a range of formal rights and informal influence. Consistent with our fiduciary obligations, we seek to use these rights and influence as important tools to support our efforts to enhance client outcomes. We refer to this activity as stewardship.

We conduct stewardship to shape and inform our broader views of issuers, and to encourage issuers to manage and mitigate risks more effectively.

Scope

This Stewardship Policy applies to the global business of Insight Investment Management, in particular, Insight Investment Management (Global) Limited, Insight Investment Management (Europe) Limited, Insight Investment International Limited and Insight North America LLC collectively known as "Insight".

Our approach to stewardship varies depending on asset class and investment strategy, in part due to the nature of specific securities and practices that may apply in the context of a specific investable universe. We seek to focus our engagements on activity we expect to have a meaningful impact, such as improved client outcomes. Our activity will be consistent with regulatory requirements and with the investment mandates and terms agreed with our clients.

Our approach to stewardship

Financial materiality drives our approach to stewardship. A financially material factor is one that is likely to have a positive or negative impact on the financial value of an investment. In line with our fiduciary obligations, Insight assesses and identifies what we believe to be financially material factors. The importance of specific factors differs between individual investments and different types of investment strategies and these factors may include, but are not limited to business strategy, capital allocation, competitive positioning, wider market and economic conditions, corporate governance, environmental risks and regulation focused on social impacts. Essentially, these factors – which may include what are commonly referred to as environmental, social and governance (ESG) factors – comprise the mosaic of factors that we believe can be relevant for effective financial analysis. We recognise that these factors play out over different timeframes, and therefore tend to view them in two broad groups.

- **Issues that are relevant to the near-term prospects of the companies or entities in which we invest:** These tend to include factors such as mismanagement, disclosure gaps, poor manufacturing practices, and issues that are the subject of imminent regulation.
- **Issues that are relevant to the longer-term prospects of the companies or entities in which we invest:** These could include changing regulations or consumer/public attitudes to social or environmental issues, and systemic risks (e.g., climate change, natural capital depletion) that could create economic disruption or prevent our clients from achieving their longer-term goals.

For issues that can be described in quantitative, financial terms, it is typically straightforward to define whether to engage and the objective of engagement.

For issues that are challenging to assess in such terms, perhaps because the financial impact and timeframes are uncertain, we first seek to better understand the issue. Where relevant, we may seek to engage to encourage prudent actions that create long-term value for our clients and/or reduce the uncertainty of meeting client outcomes.

Engagement activity may also be driven by specific mandates and/or requests by clients. It may therefore be conducted on behalf of specific clients rather than Insight as a whole.

How we engage

Interactions and engagements with issuers

Fundamental interactions with issuers may take place in direct meetings; within group settings such as conferences, collaborative group meetings and roadshows; and via direct contact with investee institutions. These interactions typically occur to help us gain a better understanding of the investments we are making for our clients and can be an important element of the fundamental analysis that underpins our investment decisions.

ESG engagement activity, which comprises a subset of these interactions, seeks to achieve an objective relevant to financial materiality or a client-specified goal. We use factors such as the size of our holding and the financial materiality of the issue in question to prioritise issuers for such engagements. The specific engagement strategies we use depend on the particular features of the entity in which we invest; for example, whether we have formal rights, the nature of our engagement access point, and the importance of the issue to the entity in question and to our portfolios as a whole.

We decide on our engagement approach and communicate the objective to the entity. For corporate holdings, we assign ratings for the level of progress relative to our objectives and have a process for escalation if we believe there is insufficient progress. If constructive dialogue is unproductive, we will escalate through various stages: to monitor progress; conduct structured communication; place the issuer on an internal watchlist; and, in extreme circumstances, we may exclude, divest or reduce exposure to the issuer. Such restrictions are seen as the last resort in any escalation process and would typically be considered when all forms of escalation have been exhausted and a clear financial rationale exists for the decision. This escalation process reflects that engagement objectives are aspirational and may not be achieved.

Engagement on systemic issues

We seek to identify and respond to market-wide and systemic risks to promote a well-functioning financial system. Where relevant, we may engage with regulators and policymakers to represent the interests of our clients and our own business. We prioritise issues that we believe represent risks to the successful achievement of our clients' long-term investment outcomes. This activity includes supporting the development of market architecture including index construction and the development of new financial instruments.

Conflicts of interest

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. We have a Conflicts of Interest Policy, ultimately overseen by Insight's Executive Management Committee, that details the processes to reduce conflicts from arising and the guiding principles used in their resolution.

Review

This Stewardship policy is reviewed annually by the Insight Responsibility Oversight Committee.

Supporting materials

This policy should be read in conjunction with our wider suite of responsible investment policies, which can be accessed here. Of particular relevance are our:

- Responsible Investment Policy
- Conflicts of Interest Policy
- Proxy Voting Policy

Full details of how Insight invests responsibly and exercises stewardship are published on our website (www.insightinvestment.com).

Key terms in this document are defined in our ESG and responsible investment glossary, available here.

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 QUESTIONS ON ESG ISSUES FOR VENDORS

From 2023, we ask all suppliers to voluntarily provide specific information on ESG-related questions to allow us to collect relevant metrics (see Table 5).

Table 5: Voluntary ESG-related questions for suppliers

Number	Question
1	Does the organization have and adhere to an environmental policy which sets out clear commitments and targets to improve the organization's environmental footprint?
1.1	Does the organization's environmental policy cover climate change issues that could be material to the organization?
1.2	Does the organization's environmental policy have executive and board-level commitment, support, and endorsement?
1.3	Is the organization's environmental policy regularly reviewed and updated accordingly?
2	Does the organization have material discharges to air as a direct result of its operations?
3	Does the organization have processes in place to ensure that there are no material discharges to land or water as a direct result of business operations?
4	Has the organization implemented procedures to ensure the safe use, handling, storage and disposal of hazardous/toxic chemicals and substances?
5	Does the organization maintain processes to ensure that there are no adverse impacts on biodiversity, including deforestation, ecosystem integrity, natural resource conservation and land degradation?
6	Is the organization fully compliant with relevant environmental permits/licenses/consents?
7	Does the organization have documented policies and procedures in place that address prevention of modern slavery?
8	Does the organization ensure that sub-contractors are treated fairly, ethically and in accordance with local standards and regulations?
9	Does the organization have a documented policy on Health and Safety?
10	Has the organization established formal community relations programs to promote its involvement in the community?
11	Does the organization have policies in place to ensure that their products and/or services do not generate health and safety concerns?
12	Does the organization have a formalized Environmental, Social, and Governance (ESG) program or set of policies and procedures approved by management and the Board of Directors?
12.1	Are the organization's Environmental, Social and Governance (ESG) policies regularly reviewed and approved by executive management and the Board of Directors?
13	Does the organization have a formal diversity, equity, and inclusion (DEI) statement or policy?
13.1	Does the organization have a formal commitment or policy to supplier diversity?
13.2	Does the organization publish an external report on the status of its Environmental, Social and Governance (ESG) efforts?
13.3	Does the organization publish an annual statement setting out the steps taken to address modern slavery and human trafficking within the company and its supply chain?
14	Does the organization have a documented policy for Ethical Sourcing?
14.1	Does the organization have a responsible purchasing procedure or standard for suppliers?
14.2	Does the organization have a defined supplier code of conduct required of all suppliers?
14.3	Does the organization conduct Environmental, Social and Governance (ESG)-focused supply chain risk assessments that include procurement, suppliers, and logistics?
14.4	Has the organization published a clear statement of its Environmental, Social and Governance (ESG) values for the benefit of its suppliers?
14.5	Does the organization evaluate its suppliers based upon its Environmental, Social and Governance (ESG) values?
14.6	Does the organization include Environmental, Social and Governance (ESG) metrics in the formal selection and ongoing monitoring of key suppliers?
14.7	Does the organization include defined standards in the Procurement and Sourcing process to address environmental sustainability?
15	Has the organization conducted a baseline assessment of its carbon/Greenhouse Gas (GHG) footprint?
16	Has the organization implemented any measures to reduce Greenhouse Gas (GHG) emissions and its carbon footprint?
17	Is the organization compliant with requirements to carbon and Greenhouse Gas (GHG) monitoring and reporting requirements?

Number	Question
18	Does the organization have mechanisms to control toxic emissions?
19	Is the organization aware of any past or current soil or groundwater contamination issues at any of its locations, or the need to conduct an investigation or remediation activities?
20	Do the organization's procedures that address products, packaging, storage, supply, and use have an adverse impact on biodiversity, including deforestation, ecosystem integrity, natural resource conservation and land degradation?
21	Are renewable resources being utilized by the organization?
22	Does the organization have any processes in place to monitor and reduce energy consumption?
23	Do the products offered by the organization have energy labelling/certifications where possible?
24	Does the organization assess opportunities to generate its own sources of energy/power at its locations?
25	Have initiatives been put in place by the organization to monitor and reduce water consumption and improve efficiencies?
26	Does the organization have processes in place to avoid generating material quantities of waste or hazardous waste?
27	Does the organization have and follow procedures for the responsible disposal of expired or unused raw materials, and the reduction, reuse, and recycling of waste?
28	Does the organization have any open environmental regulatory issues, breaches, non-compliances, enforcement actions, prosecutions, or fines?
29	Are there any financial provisions in the annual accounting statements of the organization to address environmental issues, breaches, non-compliances, enforcements, prosecutions, or fines if they exist?
30	Does the organization have a compliance program and procedures that address health and safety risks?
31	Does the organization have a formal and functional grievance mechanism for employees and contractors?
32	Do all employees in the organization meet minimum age standards and regulations?
33	Do all employees in the organization meet minimum wage standards and regulations?
34	Has the organization documented, implemented, and updated as required a set of occupational health and safety policies that adhere to U.S. Occupational Health and Safety (OHS) standards, EU directives, or other local jurisdictional standards, which set out clear commitments and targets to improve worker health and safety?
34.1	Does the organization's Occupational Health and Safety (OHS) policy have executive and board-level commitment, support, and endorsement?
34.2	Does the organization have a functional Occupational Health and Safety (OHS) management system?
35	Does the organization provide all employees and contractors with health and safety training commensurate with their roles and responsibilities?
36	Has the organization documented and implemented formal processes for regularly undertaking workplace health and safety risk assessments?
37	Is the organization compliant with product or sector-specific regulations, e.g., the Food and Drug Administration (FDA), Current Good Manufacturing Practice (CGMP), other?
38	Does the Board of Directors of the organization include internal executive and external non-executive directors?
39	Is the Chairperson of the Board outside the organization?
40	Does the organization have a policy for ensuring diversity of board members and report this information as appropriate?
41	Is compensation consistent with the organization's code of ethics/conduct or value statements?
42	Is the organization's Board of Directors monitoring Environmental, Social, and Governance (ESG) performance?
43	Has the organization implemented Environmental, Social and Governance (ESG) policies with clear commitments and targets to improve ESG performance, incorporating key ESG risks and opportunities?
44	Does the organization have a process to regularly evaluate relevant Environmental, Social and Governance (ESG) issues and are those issues incorporated into the organization's strategic planning processes?
45	Does the organization have a documented Environmental, Social and Governance (ESG) risk register?
46	Has the organization conducted an Environmental, Social and Governance (ESG) risk assessment of media, stakeholders, and other public sources external to the organization?
47	Does the organization have a functional and certified data protection, privacy, and security management system, e.g., ISO 27001?
48	Is the organization aware of any breaches in cybersecurity within the last three years?
49	Is the organization aware of any substantiated complaints regarding breaches of customer privacy or loss of customer data in the last three years?

APPENDIX V 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.

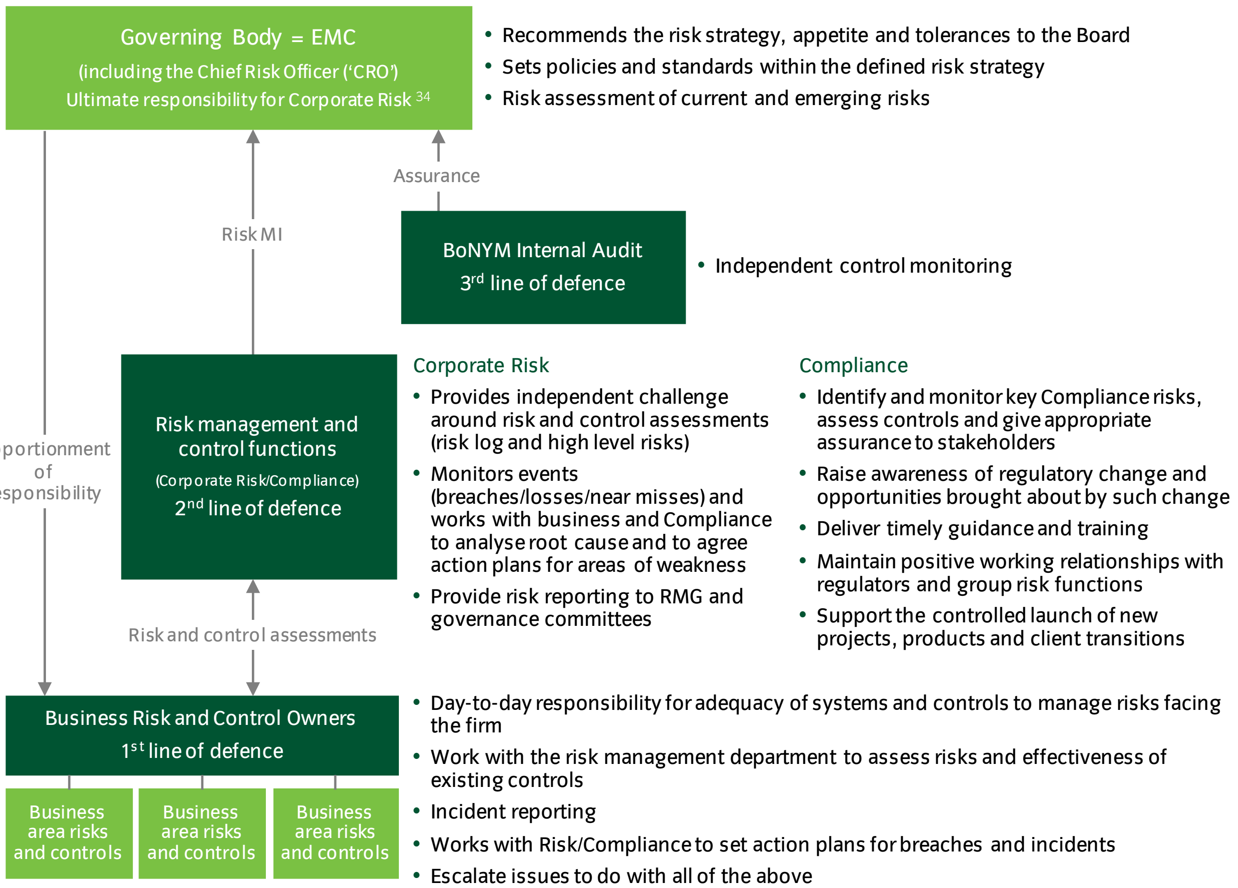
The EMC is committed to implementing good practice risk management processes. The framework is central to the ability of senior management to fulfil their fiduciary duties with respect to ensuring that Insight is subject to appropriate processes and controls which safeguard its clients, business, people 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:



[34] 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 polices 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 VI 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.

Jorg Soens, CFA

Senior ESG Solutions Specialist

Jorg joined the Responsible Investment Team within the Fixed Income Group in March 2023 as a Senior ESG Solutions Specialist, responsible for supporting the growth and development of ESG products and solutions at Insight. Jorg joined from Mercer, where he spent over five years as a Lead Investment Solutions Specialist and Currency Manager. Before this, he was a Portfolio Manager with KBC Fund Management. Jorg holds a Masters in Finance & Risk from University College Ghent, a Masters in MIS from University Hasselt and a Masters in General Management from Vlerick Business School. He is a CFA charterholder and holds the CFA Institute Certificate in ESG Investing.

Annabel Jennings

ESG Solutions and Impact Specialist

Annabel is an ESG Solutions and Impact Specialist 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 is a CFA charterholder.

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 the University of Edinburgh.

Sheena Schyma

ESG Investment Specialist

Sheena is an ESG Investment Specialist within Insight's Client Solutions Group. She joined Insight in June 2023 from BlackRock, where she spent over a decade in numerous roles as Deputy Chief Operating Officer for the Sustainable Investing Team, in strategy and reporting for Sustainable Investing and Corporate Sustainability, business management and product-capital markets tax in Finance. Prior to BlackRock, Sheena was a tax consultant at EY for six years. Sheena graduated with a BSc (Hons) in Geography from University College London and holds a Post-Graduate Certificate in Sustainable Business from the University of Cambridge. She is currently pursuing a part-time Masters in Sustainability Leadership from the University of Cambridge. Sheena is a chartered accountant with the Institute of Chartered Accountants Scotland (ICAS) and holds the CFA Institute Certificate in ESG Investing.

QUANTITATIVE RESEARCH TEAM

Tudor Thomas

Head of Fixed Income Quantitative Research

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.

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

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 Markets

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

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

Head of European 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.

David Averre

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.

Erin Spalsbury, CFA

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. Erin was promoted to Head of US Investment Grade in 2022. 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.

Paul Nicholas

Head of Pooled LDI Fund Management

Paul joined the Financial Solutions Group at Insight in July 2014 and heads up the team which manages the suite of multi-client pooled LDI funds. Prior to joining Insight, Paul was a Principal Consultant at Aon Hewitt. Paul is a Fellow of the Institute and Faculty of Actuaries and is a former Chair of the Board of Examiners. Paul graduated with an MA in Mathematics from Christ's College, Cambridge, and holds an MSc in Actuarial Finance from Imperial College, London.

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.

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.

APPENDIX VII LIST OF ABBREVIATIONS

Here we offer a list of the abbreviations used throughout this report.

AUM	Assets under management
ABS	Asset-backed securities
BREEAM	Building Research Establishment Environmental Assessment Method
CA100+	Climate Action 100+
CAIA	Chartered Alternative Investment Analyst
CCRG	Climate Change Resilience Group
CRG	Conterparty Relationship Group
CFA	Chartered Financial Analyst
CLO	Collateralised loan obligation
CMBS	Commercial mortgage-backed securities
CPA	Certified Public Accountant
CRE	Commercial real estate
CRG	Counterparty Relationship Group
DB	Defined benefit
DEI	Diversity, equity and inclusion
DMG	Distribution Management Group
DMO	Debt Management Office
DNSH	Do no significant harm
DWP	Department of Work and Pensions
EBSA	Employee Benefits Security Administration
ELFA	European Leveraged Finance Association
EMC	Executive Management Committee
EMIR	European Market Infrastructure Regulation
ESG	Environmental, social and governance
ESMA	European Securities and Market Authority
FCA	Financial Conduct Authority
GHG	Greenhouse gas
HMT	His Majesty's Treasury
HQETM	
IA	Investment Association
IIA	Institute of Internal Auditors
ICE	Intercontinental Exchange
ICMA	International Capital Market Association
ICSWG	Investment Consultants Sustainability Working Group
ICP	Insight Conduct Panel
IIGCC	Institutional Investors Group on Climate Change
IMA	Investment Management Agreement
IMG	Investment Management Group
IROC	Insight Responsibility Oversight Committee
KPI	Key performance indicator
LDI	Liability-driven investment
LTIP	Long-term incentive plan
NFA	National Futures Association
OMG	Operations Management Group
OTC	Over the counter
PAII	Paris Aligned Investment Initiative
PCAF	Partnership for Carbon Accounting Financials
PLSA	Pensions and Lifetime Savings Association
PRI	Principles for Responsible Investment
PVG	Proxy Voting Group
REG	Ratings and Exclusions Group
RIG	Responsible Investment Group
RMBS	Residential mortgage-backed security
RMG	Risk Management Group
SBTi	Science-Based Targets initiative
SDR	Sustainability disclosure requirements
SDG	(UN) Sustainable Development Goal
SEC	Securities and Exchange Commission
SFDR	Sustainable Finance Disclosure Regulation
SMCR	Senior Manager and Certification Regime
SPV	Special purpose vehicle
STC	Strategic Technology Committee
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UNGC	UN Global Compact
UoP	Use of proceeds

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 costs incurred when purchasing, holding, converting or selling any investment, will impact returns. Costs may increase or decrease as a result of certain currency conversions, such as currency hedging, and exchange rate fluctuations.

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 materialise 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

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 what we believe to be 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 organizations, 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 customized 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/KID) 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.

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.

Currency risk management

Currency hedging techniques aim to eliminate the effects of changes in the exchange rate between the currency of the underlying investments and the base currency (i.e. the reporting currency) of the portfolio. These techniques may not eliminate all the currency risk.

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.

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Cash

An investment in a money market fund is not a guaranteed investment and it is different to an investment in deposits as the principal invested is capable of fluctuation. The Fund does not rely on external support for guaranteeing its ability to sell its assets and/or meet redemptions (liquidity) or stabilising the fund's price per unit/share (Net Asset Value). There is a risk of loss of the principal invested, which is borne by the investor.

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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