Insight Investment and our approach to effective stewardship

2017

A BNY MELLON COMPANY℠

Contents

Introduction

We believe that stewardship and engagement play an important role in encouraging high standards of corporate governance that underpin companies' long-term success. This statement is as true for fixed income investments and alternative asset classes as it is for equity investments.

Our primary purpose as a business is to deliver investment performance for our clients and we believe that being a responsible investor, which includes stewardship and integrating environmental, social and governance (ESG) principles into our investment decision-making process, is an important part of delivering on our purpose. We also recognise that, as a large institutional investor with close relationships with clients, advisers, market participants and policy makers, we have influence and that we should use this in a responsible manner that supports the stability and resilience of the financial system.

About Insight Investment

Insight[1] is a UK-based investment manager, managing assets on behalf of pension funds, insurance, charities, sovereign wealth funds and other institutional investors. Insight manages over £550bn in assets[2], broadly divided as follows:

Liability-driven investment (LDI)	£392.8bn
Fixed income	£118.7bn
Currency	£34.1bn
Multi-asset strategies	£4.0bn
Equities	£2.5bn
Real assets	£0.2bn
Total	£552.3bn

Our commitment to active investment and stewardship is a crucial part of our value-preservation and due diligence processes for our clients. Our Responsible Investment Policy states that, where necessary and appropriate, we will engage with companies to understand matters which may materially impact the long-term performance of their business and to encourage higher standards of corporate governance in these companies. Given our asset mix, we focus much of our effort on our LDI and fixed income assets. However, we do take our stewardship responsibilities as shareholders seriously; we engage with the companies we invest in and we vote all of our shareholdings where we hold voting control.

[1] Insight is the corporate brand for certain companies operated by IIML. Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIIL), Cutwater Asset Management Corp. (CAMC), Cutwater Investor Services Corp. (CISC) and Insight North America LLC (INA), each of which provides asset management services. IIMG and IIIL are UK companies authorised and regulated by the Financial Conduct Authority and this document describes stewardship activities undertaken by these firms supporting the UK Stewardship Code.
[2] All figures presented in this document are as at 30 June 2017. Reflects the assets under management (AUM) of Insight, the corporate brand for certain companies operated by IIML, each of which provides asset management services, as defined above. AUM are represented by the value of cash securities and other economic exposure managed for clients.

About this document

In this document, we describe our engagement and stewardship processes and explain how these align with the requirements of the UK Stewardship Code (the Code)[3]. The document's emphasis, reflecting our asset mix, is primarily on LDI and fixed income investments, although we also discuss our stewardship processes in other asset classes, in particular in listed equities.

The UK Stewardship Code is built on seven Principles, requiring investors to:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities
2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed
3. Monitor their investee companies
4. Establish clear guidelines on when and how they will escalate their stewardship activities
5. Be willing to act collectively with other investors where appropriate
6. Have a clear policy on voting and disclosure of voting activity
7. Report periodically on their stewardship and voting activities

[3] While the responses in this document refer directly to the seven principles of the Financial Reporting Council's UK Stewardship Code, we note that similar codes have been adopted in other jurisdictions. We have therefore drafted this document so that is relevant to these other codes.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

Our Responsible Investment Policy (see **Appendix 2**) is publicly available at http://www.insightinvestment.com/responsible-investment/Responsible-investment-approach/Responsible-investment-policy.

In our Responsible Investment Policy, we state that stewardship (monitoring our investments, engagement and, for equity holdings, voting) is important to create investment opportunities and reduce investment risk. We see these stewardship-related activities as central to achieving our clients' investment objectives. Below, we describe how we discharge our stewardship responsibilities, with a particular focus on how stewardship and engagement are integrated into our investment process.

We note that, because of the importance of stewardship to our investment activities, we do not outsource stewardship activities to third parties.

Insight exercises its stewardship responsibilities with the overall objective of protecting our clients' interests. We deliver on this in the following ways:

A. We look to invest in companies that have successful track records, clear strategies, strong governance and transparent underlying financials

B. We regularly meet with companies to review performance, strategy, risk management and ESG issues

C. We vote our equity and multi-asset holdings

D. We consider systemic risk and public policy issues as part of overall stewardship responsibilities.

E. We contribute to wider efforts to maintain a strong financial system

F. We consider ESG and stewardship within our governance structure

These points are discussed in more detail below.

A. We look to invest in companies that have successful track records, clear strategies, strong governance and transparent underlying financials

The bulk of our company-related investment activity is carried out in our fixed income business. Insight's team of credit analysts is organised by industry sector. These analysts are responsible for analysing companies that issue investment grade corporate bonds, non-investment grade corporate bonds and/or leveraged loans. Analysts identify the key business drivers for each sector and analyse how these drivers will impact the financial profiles of individual companies. Cash flow modelling forms a key part of this work.

In addition, our analysts are charged with carrying out a detailed assessment of a number of specific things which can typically lead to a sharp deterioration in credit quality. We call this our Landmine Checklist. The Landmine Checklist includes liquidity (i.e. the ability of a company to service its debt when capital markets are closed), regulatory risk, leveraged buy-out (LBO) risk, event risk, contingent liability risk, and corporate governance, environmental and social risks. These key risks are scored on a scale of 1 to 5, with higher numbers indicating greater risk and scores of 5 indicating areas of significant concern (see **Figure 1**).

Factor	Example
Liquidity	• Assuming no access to capital markets in the next 24 months, what is the impact on the issuer's liquidity?
Contingent liabilities	• What is the magnitude of the issuer's off balance sheet liabilities such as pension deficits, operating leases etc.?
Regulatory risk	• To what extent is the issuer's industry subject to regulation and changes in regulation?
Event risk	• Does the management have an appetite for debt financed M&A? Is the company's share price underperforming?
LBO risk	• Is the business likely to be subject to an approach from or a bid by private equity?
Environmental, social, governance (ESG)	• Is the issuer properly managing environmental, social and governance risks?
Each factor scored 1 (good) to 5 (bad)	

Figure 1: Landmine Checklist

One of the key areas of focus is a company's management of ESG risk. Our team of credit analysts is charged with determining the financial materiality of these ESG risks, defined as the contribution these make to the probability of default of a potential investment. A failure to meet recognised standards of good governance and responsible management may represent threats to financial performance that are not adequately compensated by current expected returns. Furthermore, our view is the quality of a company's management of the environmental and social aspects of the business provides important insights into its overall quality of management. We use ESG data from MSCI ESG Research to populate this section of our Landmine Checklist. These data assess whether and how management have adopted and implemented appropriate policies, systems and controls to manage risks, to comply with relevant codes, laws and regulations and to meet the expectations of key stakeholders.

Our analysts' financial analysis includes a detailed examination of the sustainability of companies' profitability, current and future cash flows and balance sheet structure. Company credit metrics are benchmarked against peer companies to determine their suitability as fixed income investments. Analysts assign internal credit ratings and a rating outlook to indicate the likely trend in credit profile going forward. ESG risk scores are an integral element of how analysts assign a credit rating that indicates the relative risk of default. These ratings provide portfolio managers with a clear opinion on the creditworthiness of a company. In turn, they inform the final valuation and investment recommendation for the company.

B. We regularly meet with companies to review performance, strategy, risk management and ESG issues

Corporate engagement is a central component of our investment process. We engage with companies directly to understand how they manage their industry and idiosyncratic risks, their short and long-term strategy, and how they manage ESG-related risks and opportunities. We discuss our approach to engagement for LDI, fixed income, equities and multi-asset below.

Liability-driven investment

Every defined-benefit pension scheme has promised to provide retirement income for its members. To do so, schemes aim to have sufficient assets to cover their liabilities. This has led many pension schemes to adopt LDI strategies, which aim to enable pension schemes to reduce risk and improve funding levels over time, greatly increasing the probability that they will achieve their ultimate objective.

Pension payments (or liabilities) stretch over many decades and their present value is directly linked to inflation, interest rates and longevity. An LDI solution invests some of the pension scheme's assets to help manage these liability risks. This means that if interest rates rise or inflation expectations change, assets and liabilities rise or fall together and the funding level of the pension scheme should be less volatile. With pension liabilities rising over £460bn, LDI strategies have been successful in hedging liabilities.[4]

Partially-funded instruments are often used to provide investment exposures without a substantial commitment of initial capital. Swaps provide pension schemes with flexibility for managing liability interest rate and inflation risks. However, they introduce bank counterparty risk. As part of our stewardship responsibilities, Insight seeks to manage the risks associated with swaps through processes including collateralisation and counterparty risk management. Insight's Counterparty Credit Committee (CCC), chaired by Insight's Chief Risk Officer, oversees this critical issue. The Committee was established to ensure that Insight exercises due care and diligence in the selection and monitoring of counterparties with whom Insight will deal as agent on behalf of its clients. A key facet of this is to monitor closely the creditworthiness and business strategies of such counterparties, which involves regular face-to-face meetings between the bank management teams and Insight's credit analysts, Insight's senior legal staff and members of Insight's executive management team. As the credit quality of many banks has deteriorated post the global financial crisis, Insight has increasingly sought to protect its clients by strengthening further its daily collateral requirements and additional protections provided to clients.

Fixed income

Insight's credit analysts aim to meet all companies prior to investing in any bonds or loans they have issued or are about to issue. We hold regular conversations with companies through a variety of methods, including face-to-face meetings, investor conferences, conference calls, emails and letter-writing.

The frequency of our communication with issuers depends on the risks identified during our research process. We have a particular focus on those areas where companies have received low scores in the Landmine Checklist (see response above). The issues we engage on, depending on the issuer, include the oversight and effectiveness of board of directors, environmental performance, health and safety events, accounting deficiencies and strategic changes.

Company meetings are undertaken by our in-house analysts. This is because we consider engagement to have material financial implications and is best understood within the context of the wider investment process. We have internal systems to track and organise our company meeting activity.

More information is available in our response to Principle 4, **page 13**.

Equities

For our specialist equities funds, where we hold ownership positions[5], we meet with companies to discuss investment risks and opportunities. These meetings involve a review of all salient business investment issues, including strategy, financial performance and, where relevant, ESG factors.

Our investment focus is UK-listed entities and meetings are often organised directly with companies or via company brokers.

Engagement activity is undertaken in-house by analysts and portfolio managers. This is because we consider engagement to have material financial implications and that it is best understood within the context of the wider investment process.

We have internal systems to track and organise our company meeting activity.

[4] Data from PwC, July 2017. Available at http://www.pwc.co.uk/press-room/press-releases/UK-pension-fund-deficit-falls-to-460bn-according-to-PwCs-Skyval-Index.html.

[5] We note that over 90% of our holdings in these funds are via derivatives rather than shares.

Multi-asset

Insight's multi-asset funds often hold direct equity investments in infrastructure companies. We aim to meet with all of the companies in which we hold direct investments.

A critical part of our discussion with companies includes corporate governance, performance and strategy. We believe these are essential to manage long-term risks.

Engagement activity is undertaken by portfolio managers. This is because we consider engagement to have material financial implications and is best understood within the context of the wider investment process.

We have internal systems to track and organise engagement activity.

Our engagement activity is covered in more detail in Principle 4, **page 13**.

C. We vote equity and multi-asset holdings

Insight aims to vote all its clients' c.£300m of cash equity holdings, as well as c.£285m of cash equity holdings that form part of wider multi-asset investment strategies where it has voting responsibilities.

Voting is undertaken by portfolio managers, with inputs from a proxy advisory firm that provides research and corporate governance analysis. Insight implements its in-house voting activity independently of all third-parties, including The Bank of New York Mellon Corporation (herein referred to as BNYM), our parent company.

We vote all holdings and disclose voting results on our website.

More information is available in our response to Principle 6 on **page 18**.

D. We consider systemic issues as part of overall stewardship responsibilities.

Insight considers systemic issues in a number of different ways. In our LDI business, the use of interest rate and inflation swaps introduces bank counterparty risk. As previously mentioned, Insight is highly experienced at managing the risks associated with swaps through counterparty risk management and collateralisation. Insight was one of the pioneers of LDI and from the outset, recognising its importance to clients, introduced the daily collateralisation of swap positions. Previously, 'best practice' had been for weekly or even monthly collateralisation which, in light of Lehman Brothers' failure, could have led to significant losses for pension schemes. As the credit quality of many banks has deteriorated post the global financial crisis, Insight has increasingly sought to protect its clients by strengthening further its daily collateral requirements and additional protections provided to clients.

Insight has also been vocal in lobbying for LDI clients in a world where regulators are pushing hard for clearing houses as a solution to help mitigate bank counterparty risk. While the use of clearing houses is supported by Insight, if the collateral deposited as margin is limited to cash, it is highly inefficient for pension schemes which typically operate with little cash, but are long high-quality assets such as government bonds. Moreover, if rates were to rise sharply, to meet margin calls, pension schemes could be forced to sell assets to raise cash, at a time when many other pension schemes and other investors were doing the same. This could have the effect of exacerbating the downward movement in asset prices and potentially force pension schemes to liquidate assets in a falling market.

Insight also recognises systemic issues faced by companies in other parts of its business, such as fixed income and equities. We recognise that the companies in which we invest are both affected by systemic issues, e.g. climate change-related regulation, financial market instability, and can also affect these systemic issues, e.g. through their greenhouse gas emissions, through their water usage. We manage these by undertaking our own research at the company and sector level, and by supporting industry initiatives that push for greater policy certainty on issues with potentially significant investment impacts. Examples include climate change, corruption and stable financial markets. More information on how we work collaboratively is found in our response to Principle 5 on **page 16**.

E. We contribute to wider efforts to maintain a strong financial system

Insight considers the scope of our stewardship activities to include efforts to support more stable and resilient financial markets. A functioning, secure and ethical financial system is essential to delivering financial solutions. It is particularly important given that many of our clients are pension funds with long-term investment goals to deliver on future pension promises. Therefore, an integral part of our risk management process is direct engagement with policymakers to support efforts to ensure that financial markets continue to function efficiently, while also ensuring that regulatory and risk management requirements are both effective and do not undermine or compromise our clients' goals. We employ a public policy professional who represents Insight with financial regulators.

Our regulatory disclosures are available publicly on http://www.insightinvestment.com/responsible-investment/Responsible-investment-approach/Insight-policy-responses

F. We consider ESG and stewardship within our governance structure

In 2016, we launched our ESG Working Group with responsibility for reviewing key ESG issues for their potential impact on Insight's business and investment activities. The working group consists of our Chief Risk Officer, Chief Investment Officer – Active Management and other senior staff members. The topics that have been considered to date include controversial weapons, climate change, tax and agriculture. We identify new and emerging issues by participating in industry initiatives, subscribing to news services and discussing issues directly with our clients, consultants and other stakeholders. The ESG Working Group provides a forum for discussing and analysing these issues and for agreeing the actions that might be taken. It may lead to us deciding to change (increase or decrease) our investments in particular sectors, to engage with companies that are exposed to the risk in question, to conduct further research on the issue, or to work with other investors.

The ESG Working Group reports into the Business Management Group (BMG), whose members include investment and business team leaders, our Chief Executive Officer (CEO) and Chief Investment Officer Active Management. Ultimately, the BMG is accountable to the Insight Board, and reports through the Executive Management Committee.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

We have a formal Conflicts of Interest Policy (see **Appendix IV**), which sets out guiding principles on how we manage stewardship-related conflicts of interest, as well as describing how we manage specific conflicts that are particularly relevant to our business. The policy includes details of how we manage the relationship between Insight and our parent company, BNYM.

Insight recognises that it must not place its own interests unfairly above those of its customers. However, Insight also recognises that, in the course of its investment management activities, from time to time Insight may encounter situations where a conflict of interest may occur. Insight's Conflict of Interest 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 resolution.

Insight's policy on managing potential conflicts of interest sets out three overriding principles, namely:

i. Insight does not ordinarily act as principal.

ii. Equal treatment of all clients.

iii. Effective Chinese Walls between Insight and BNYM (more information on Insight's ownership status is available in **Appendix III**). The policy identifies circumstances in which conflicts may arise and how they should be handled.

With regard to voting and stewardship activity, the policy is that Insight will always seek to act in the best interests of its clients when making investment decisions or casting votes on their behalf. Stewardship and voting activities are undertaken at the discretion of investment staff. Where BNYM, Insight or the clients themselves have business relationships with investee companies, these will be disregarded by Insight in making its investment, stewardship or voting decisions.

In the vast majority of instances, potential conflicts associated with Insight's activities are unlikely to arise. On the rare occasion that they do, Insight has a risk and compliance function that is responsible for working with the business to assess the potential conflict and implementing a solution.

Principle 3: Institutional investors should monitor their investee companies

We monitor, on an ongoing basis, the companies in which we invest or with which we transact business. We do this through regular periodic reviews of company business and financial performance, which includes analysing company reports and filings. We supplement this through our regular dialogue with company boards and management teams. In addition, in our fixed income business we use our Landmine Checklist process to highlight key risk factors that may warrant further attention, particularly where it touches on ESG issues.

Below we describe how we monitor companies and issuers and how this monitoring relates to our investment and risk management processes.

Insight's Responsible Investment Policy (see **Appendix II**) states our belief that company management can influence the long-term financial performance of companies through an awareness of the environmental and social aspects of the business and by maintaining good standards of corporate governance. We routinely monitor the performance, value and risks of the companies in which we invest.

Insight's approach to ESG and stewardship in fixed income is the responsibility of the relevant investment teams (analysts and fund managers), supported by an ESG analyst and access to comprehensive ESG information. The assessment of risk is an integral part of our investment process. Our analysts meet regularly with company management to discuss all aspects of performance, including strategy, risk management, corporate actions and ESG. We also monitor for company changes, particularly for the impact on credit ratings, and ESG ratings. The companies in which we have holdings receive additional attention from the investment team. Analysts will make recommendations on the basis of ESG factors if it is considered material to financial performance. ESG factors are considered as one of several business risks within our Landmine Checklist evaluation process (see response to **Principle 1**).

How Insight monitors companies:

Activity	Financial solutions	Active management
Review annual reports and corporate filings	✓	✓
Discourse with management and board members	✓	✓
Use independent research to identify potential ESG risks	✓	✓
Participating in industry activities	✓	✓
Internal systems with ESG data built for monitoring issuers	✓	✓
Implement an engagement strategy	✓	✓
Include risk factors within our company due diligence	✓	✓
Access ESG controversies and event news to monitor for material company changes	✓	✓

Insider information

Our direct interaction with companies increases the risk of inside information. In the course of this activity, Insight will not ordinarily request insider information or expect to be provided with such information from other related parties, such as investment banks. Insight operates a strict policy to ensure that investment staff are informed and trained of the risks from inside information, that there are appropriate policies in place, and that a reporting mechanism exists from any inside or market abuse activity. In the course of our stewardship activities, we do not expect to encounter inside information but apply the same policy as for inside information.

Impact on investment activities

If there are weaknesses identified through our monitoring and engagement, or a company's standards do not follow best practice guidelines for corporate governance or environmental or social issues, we will start by determining if they are material risks. Our experience has been that governance issues (e.g. the independence of board members, ownership structures) are most likely to have a material impact on companies, although environmental and social issues are often important to individual issuers or companies. Once we have made a preliminary assessment of materiality, we then decide on a course of action. Usually, this starts by gathering further information, often including a discussion with the company. Thereafter, depending on our assessment, we may choose to engage with the company to encourage change (e.g. to better manage the issue in question), we may change our rating or valuation, or we may choose to alter our holdings.

Disclosure

We disclose engagement activity in our annual report. We have provided this information since our first annual responsible investment report since 2006 and believe transparency is an important way for clients to learn more about how we monitor and hold companies to account. Further information is available in our response to Principle 4 on **page 13**.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities

We have structured processes for monitoring and engaging with companies. If we identify issues and are unhappy with management's responses to our engagement on these issues, we are prepared to reduce or completely sell our holdings. We provide a description of our engagement process below, including the topics and issues on which we engage with companies.

Insight's fixed income risk process combines an assessment of ESG risks and financial/strategic issues. Access to management, confidence in standards of corporate governance, and long-term drivers of risk and return are central features of our approach. As we often intend to hold bonds to maturity, we need to be confident in the long-term financial position of the companies in which we invest and have trust in management.

If ESG, strategic and financial risks are identified through due diligence process, our analysts are expected to engage in a dialogue with company management. As a large institutional investor, Insight has good access to management and regularly meets to discuss matters relating to strategy, performance and financial policy. Although ESG-related issues may be raised in the course of these discussions they are rarely discussed in meetings arranged specifically to discuss ESG issues. This is because our process does not separate ESG risks from the other considerations necessary to the making of informed investment decisions, such as a company's financial strength, strategic direction, overall quality of management and the market valuation of its securities. We also monitor changes, particularly downgrades, to key risk scores each quarter.

Our regular meetings with company management provide an opportunity to raise issues our analysts and portfolio managers identify. If Insight does not already have regular meetings with a company's management, our investment teams are encouraged to organise such meetings. Prior to investing in any new company or issuer, we will speak directly with management on strategy, governance and risk management issues. Where this is not possible, or additional action is deemed appropriate, we may consider raising the issues with the company board or other management layers.

Escalating engagement activities will occur on a case-by-case basis. From a risk perspective, if we are not satisfied with a company's management of risk (including ESG-related risks), we are prepared to sell holdings or move to an underweight position. In some portfolios that will not be possible because of mandate restrictions. In such situations, we discuss potential investment actions with clients (which may include take-no-action, sell holdings, or continue monitoring).

Insight records all its engagement activity with companies and the type of issues we engage companies with.

We commit to disclosing our engagement activity annually. For 2016, we raised ESG issues with companies on more than 150 occasions out of more than 1100 total company engagements (see **Figure 2** overleaf for details on our 2016 company engagement activity).

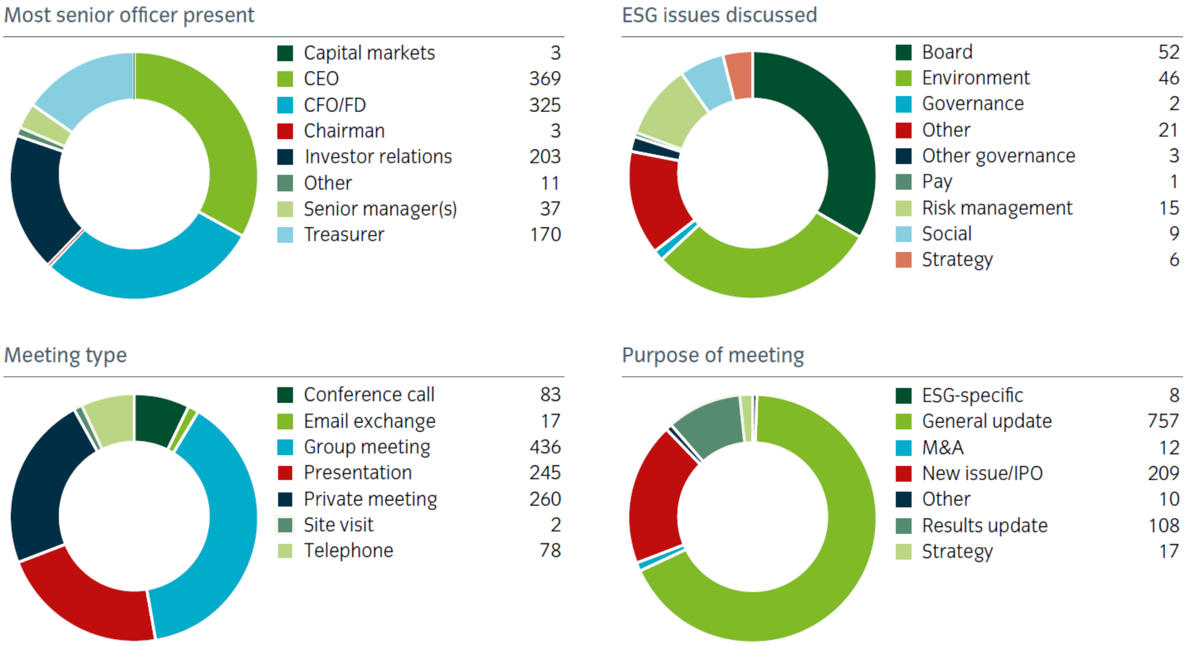


Figure 2: company engagement activity, 2016. Source: Insight

Strengthening our process

Approximately 70-80% of the companies in our investable universe have ESG ratings from our independent third-party research provider. More than 80% of investment grade companies have ESG assessments, but emerging market and high yield issuers have much lower coverage.

We have also started engaging with companies that do not have an ESG rating from our research provider. We have developed a company self-assessment framework for companies to complete. We use this to generate an ESG rating and to identify relevant ESG risks. We often follow up these self-assessments by engaging with companies to verify the reported information, to better understand risks and to encourage improvements in the management of these risks.

More than a dozen companies have completed the ESG survey in 2017. A sample is shown overleaf:

[redacted]

Insight Investment ESG risk assessment

30 May 2017

Industry | Banks

ESG Score	2	Key Risk Information	
Governance (80%)	2	Independent Board Members	6
Board (60%)	2	Nonindependent Board Members	7
Executives (15%)	3	% Independent	46%
Control (25%)	2	Largest shareholder [redacted]	32%
Environment (10%)	4	CEO [redacted]	
Social (10%)	1	COB [redacted]	

Board
Key Metric
Is the board majority independent?
Are there multiple company executives on the board?
Are there any independent directors?
Is the role of the Chairman and CEO held by two different people?
Is the Chair independent?
Are executives on the Audit Committee?
Are executives on the Remuneration Committee?
Does the Audit Committee have financial expertise
Has auditor been changed in the last 15 years?
Is there risk management expertise on the board?
Is the board oversized?
Is the board undersized?
Are there any women represented on the board?
Are Non-executive directors overboarded?
Is the Audit Committee overboarded?
Is the Compensation Committee independent?
Is the Audit Committee independent?
Is the board entrenched?
Does the board have a lead independent director? (If required)
Do any board members have conflicts of interest?
Do you have a policy on Related Party Transactions?
Do RPTs require board approval?
Do RPTs or loans to insiders represent more than 10% of assets?
Do you undertake reviews of board members and overall performance?
Are the CEO and CFO related to controlling shareholders?

Executives
Key Metric
Is CEO basic salary excessive?
Is CEO total compensation excessive?
Have there been more than 5 executive changes in the last two years?
Do you disclose specific executive pay figures?
Do you have a clawback compensation policy?
Is CEO performance pay linked to financial performance?
Does CEO pay include sustainability factors?

Control
Key Metric
Is the company a controlled firm?
Does the company have majority voting in the election of directors?
Does the company have shares with different voting rights?
Is company involved in number of cross shareholdings with other companies?
Are there annual director elections for all directors?
Can shareholders place director nominees on annual meeting agenda?
Can company bylaws or charter be amended without shareholder approval?
Can directors be removed without cause?
In last three years, was non-audit fee greater than audit fee?
Do you provide at least 6-monthly financial reporting?
Has the company had a qualified/adverse audit opinion in the last 5 years?
Have there been any penalties for late/incorrect financial statement filings?
Has the company defaulted in the last 10 years?
Does the company/parent have ongoing regulatory litigation action?

Environment
*Environment risk level **
Key Metric
Do you consider your operations to have a high, medium or low impact?
Does your commercial loan book include renewable energy projects?
Does your commercial loan book include coal/gas/oil energy projects?
Does your commercial loan book include mining projects?
Do you have a policy/system to manage flood/water risks when originating loans?
Do you have a policy/system to manage carbon risks when originating loans?
Do you intend to measure the impact of environment regulations on loan recipients?
Does your internal risk management process include reviewing environment factors?
Do you have a training process for risk members on environment factors?
Do you have an environment management strategy?
Do the Board/CEO oversee environmental performance and strategy?
Have there been any environment controversies in the last 3 years?

Social
*Social risk level **
Key Metric
Do you consider your operations to have a high, medium or low impact?
Do you have a policy on social inclusion?
Do you have a data protection policy?
Do you have a workplace diversity policy?
Do you have a bribery and corruption policy?
Do you have a money laundering policy?
Do you have a labour training/development plan for all employees?
Have there been significant staff layoffs in the last five years?
Have there been any health and safety events in the last five years?
Do the Board/CEO oversee social performance and strategy?
Do you have collective bargaining and union agreements?
Have there been legal or regulatory fines in last three years?

Red flag indicates company is not meeting expected best practice
Yellow flag indicates company has not completed question
** Red circle indicates company operates in a sector with elevated high Environment or Social risks.*
Weights are shown in brackets under ESG scores

Additional company comments:

E) Environment impact should be low (only possible answers enabled are yes or no)
Completed by IR team to the best of our knowledge

For illustrative purposes only. Not intended to be an investment recommendation.

More effective engagements

Insight does not measure the impact of its engagement activity. Our assumption has historically been that if our concerns were not addressed, then this would be reflected in our valuation and risk assessment of a company. We recognise that while this approach has served us well to date, it may mean that certain ESG risks remain unaddressed. It has also meant that we have not properly analysed the effectiveness of our engagement.

On an annual basis, every fixed income analyst is now expected to identify one company in their investment universe and seek to improve or mitigate an ESG risk they identify. The new strategy is not prescriptive but as part of the strategy, we have organised a template to help us assess the effectiveness of our engagement and where to improve in the future.

We report on progress of our expanded engagement strategy in our 2016 Putting Principles in Practice report.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate

We recognise that many ESG and wider market issues require a collective response from the investment industry. This is particularly the case in fixed income where investors generally do not have the same formal rights (e.g. to vote shareholdings, to call EGMs) that are available to equity investors.

Below we describe the collaborative initiatives that we support and discuss the factors that we consider when deciding to participate in collaborative initiatives.

Insight works with other institutional investors where we believe it is in our clients' interests. These include:

ESG Initiatives	Investment initiatives	Pension/trustee initiatives
Institutional Investors Group on Climate Change (IIGCC)	Investment Association (IA)	Pension and Lifetime Savings Association
Provides a collaborative platform to engage with policymakers on climate risks and implementing effective policy to tackle climate externalities	Representative trade body for the UK investment management industry	Provides guidance on best practice to help pension professionals run better pension schemes
Carbon Disclosure Project (CDP)	Institutional Money Markets Fund Association (IMMFA)	The Pension Fund Investment Forum/Pension Trustees Circle
Promotes the transparency of carbon, water and forestry information amongst corporate externalities	Trade association representing large investment managers with money market funds	Provides a forum for pension trustees and managers and their engagement with investment professionals
UK Sustainable Investment and Finance Association (UKSIF)	International Accounting Standards Board (IASB)	Association of Member Nominated Trustees (AMNT)
A membership network of organisations involved in responsible investment	Insight is a signatory to the IASB's Statement of Shared Beliefs, promoting transparency in global capital markets	Supporting member-nominated trustees with tools to become effective trustees
Principles for Responsible Investment (PRI)		Association of Corporate Treasurers (ACT)
Global UN-backed initiative of investors supporting responsible investment activities and six PRI principles		Membership body promoting practice of finance and treasury management

How we decide which initiatives to support

We see collaboration as being particularly suited to systemic risk issues, i.e. issues that affect a range of companies or that affect the stability and resilience of the financial system as a whole. Beyond our participation in or membership of the formal initiatives mentioned, we actively support efforts to:

- encourage effective policy action on climate change, in particular to provide regulatory certainty for investors
- encourage credit rating agencies to integrate stewardship and ESG risks within the credit assessment process

The general factors we consider when we make decisions on whether or not to participate in collaborative initiatives are:

- Do we see the issue as important (or material) to our portfolios?
- Is the issue important to our clients?
- Are the participating organisations like-minded investors or organisations?
- Is the initiative likely to be effective?
- What are the time and resource implications of participating?

Generally, we do not work with other investors to target individual issuers. We consider Insight has suitable internal resources to engage issuers independently.

Contact

The primary contact for collaborative engagement activities is our ESG analyst, Joshua Kendall joshua.kendall@insightinvestment.com

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity

We routinely vote all of our clients' equity holdings and we disclose our voting records on an annual basis. We use a template to identify situations where we may choose to abstain, vote against management or make a case-by-case decision.

In the majority of Insight's current equity and multi-asset investment strategies we do not have significant direct investments in companies; most of our investments are in derivatives.

In our equity strategies, we only have direct holdings in UK-listed issuers; our Voting Policy and activity therefore reflects UK market requirements. We aim to vote all of our clients' listed equity holdings.

Insight does not automatically support management or shareholder resolutions. Our voting decisions depend on a range of factors, including our existing relationship with an issuer, the business environment, and type of resolution.

Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Our third-party proxy voting provider analyses every resolution against Insight-specific voting policy templates which reflect Insight's views on a range of corporate governance issues. Our template broadly aligns with the UK Corporate Governance Code and is reviewed regularly.

We do not mechanically follow the voting template. Instead, in situations where we may abstain or vote against management, the voting decision will be reviewed by the relevant portfolio manager and the final decision will account for Insight's general position on the issue in question, for the specific details and context of the business, and for Insight's views on whether and how the voting decision will be interpreted by company management.

Insight's Voting Policy was updated in 2017 and Insight votes independently from BNYM.

Equity funds

Where contentious issues are identified, these are escalated to Insight for further review and direction. We do not notify companies in advance on every occasion of our intention to vote against management.

Beyond the specific issues covered by our voting template, we generally consider any action that raises accountability for environment and social activities to be positive for shareholders. For these actions – for example, the 'Aiming for A' resolutions on climate change – Insight generally supports resolutions of this type if they are appropriately structured.

Multi-asset funds

Our multi-asset holdings tend to make up a significant percentage of outstanding equity holdings in certain issuers. As a top shareholder, Insight will vote as part of our fiduciary responsibilities and often discuss with companies the reasons for our voting activity. For all other equity holdings, we do not discuss with management the reasons for our voting activity. We vote these holdings using an existing template, which we revise regularly. Voting decisions are made by portfolio managers with support from a third-party research provider.

Our voting record is available annually on our website and in our annual responsible investment report. A summary of our 2016 voting activity has been provided below:

Multi-asset: Management resolutions

Category	Abstain	For	Total
Auditor - Election	-	11	11
Auditor - Remuneration	-	8	8
Directors - Elect	-	43	43
Dividends	-	9	9
Issue of Shares and Pre-emption Rights	-	17	17
Meeting Formalities	-	1	1
Other	-	1	1

Category	Abstain	For	Total
Other Articles of Association	-	7	7
Other Corporate Action	-	2	2
Remuneration	-	11	11
Report and Accounts	1	10	10
Share Buybacks and Return of Capital	-	10	11
Transactions	-	1	1
Total	1	131	132

Equities: Management resolutions

Category	Abstain	For	Total
Appropriate Profits	-	1	1
Auditor - Discharge	-	1	1
Auditor - Election	-	84	84
Auditor - Remuneration	-	75	75
Bonds and Debt	-	4	4
Capital Structure	-	4	4
Change of Name	-	1	1
Company Purpose and Strategy	-	2	2
Directors - Discharge	-	2	2
Directors - Elect	-	718	718
Dividends	-	70	70
Environmental Practices	-	1	1
General Meeting Procedures	-	60	60

Category	Abstain	For	Total
Issue of Shares and Pre-emption Rights	-	190	190
Meeting Formalities	-	2	2
Other A&R related	-	2	2
Other Articles of Association	-	12	12
Political Activity	-	46	46
Remuneration	95	33	128
Report and Accounts	-	87	87
Share Buybacks and Return of Capital	-	83	83
Sustainability Reporting	-	2	2
Takeover Governance	-	1	1
Transactions	-	14	14
Treasury Shares	-	2	2
Total	95	1497	1592

Equities: Shareholder resolutions

Category	Other	For	Total
Company Purpose and Strategy	-	1	1
Environmental Practices	-	1	1

Category	Other	For	Total
Sustainability Reporting	-	2	2
Total	0	4	4

Remuneration

Insight believes executive remuneration must balance long and short-term performance targets. An effective and clear policy, along with an independent remuneration committee, is essential to ensure remuneration is commensurate with performance.

Category	Abstain	For	Total
Remuneration - Amount (Total, Collective)	-	5	5
Remuneration - Non-executive	-	7	7
Remuneration - Policy (All-employee Share Plans)	-	7	7
Remuneration - Policy (Long-term Incentives)	14	4	28
Remuneration - Policy (Overall)	12	2	14
Remuneration - Report	69	19	88
Total	95	44	139

Securities lending

Insight does not undertake any stock lending activity. Certain pooled funds on the BNYM platform do perform stock lending but that would be an arrangement made by their management company and would not be transparent to Insight.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities

Transparency on our stewardship and responsible investment activities is a core pillar of our Responsible Investment Policy (see **Appendix II**). We report publicly (in the form of a formal annual report and through a dedicated website) and we also provide tailored ESG reporting to our clients. We describe our various reports below and also describe how we assure the information we provide to our stakeholders and clients.

Transparency on our stewardship and responsible investment activities is a core pillar of our responsible investment policy (see **Appendix II**). This reporting allows our clients and other stakeholders to understand our approach to stewardship and responsible investment. It is also an important accountability mechanism and we encourage clients and stakeholders to provide feedback and comment on our approach.

Annual report

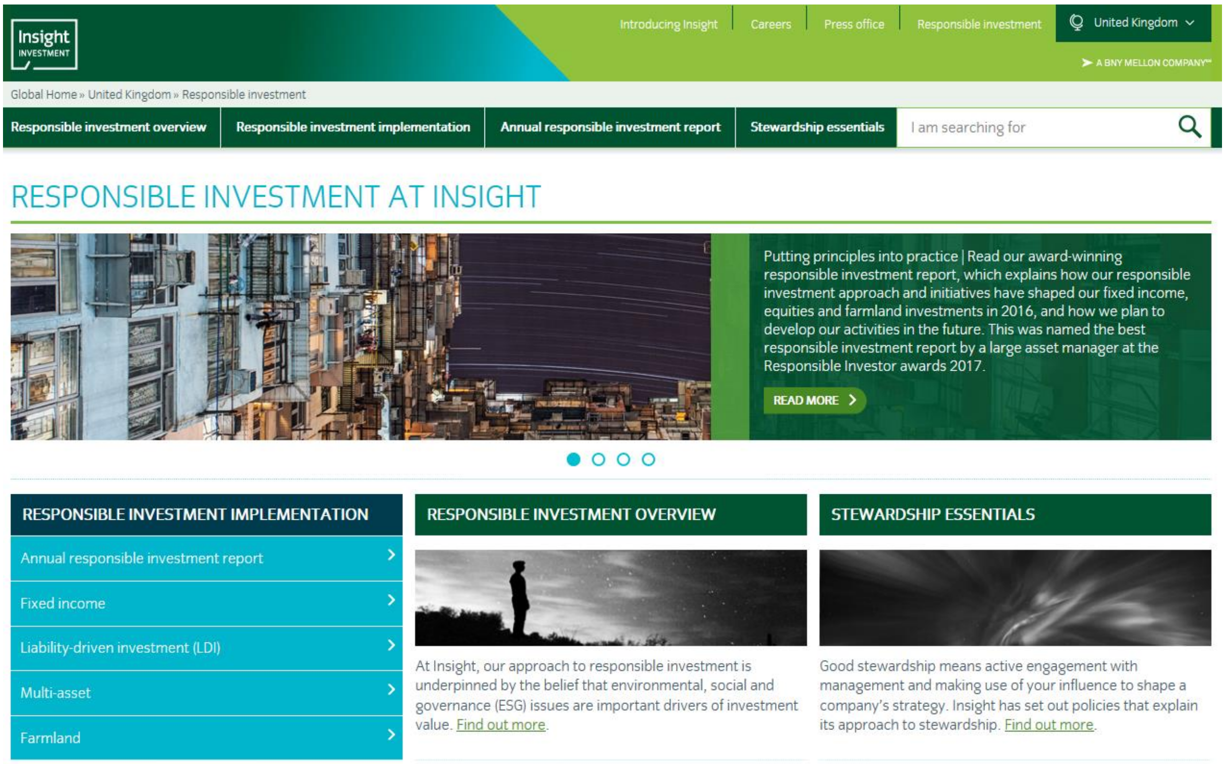
Insight publishes a detailed annual report on its stewardship and responsible investment activities, Putting Principles into Practice. This report is available on our responsible investment microsite and hard copies are sent to clients.

This report outlines key elements of our responsible investment and stewardship programme, namely:

- Engagement activity
- Voting record
- Responsible investment strategy and process overview
- Case studies
- Implementing Insight's policy
- Collaborative initiatives

Other communication methods

Insight has a standalone responsible investment website (www.insightinvestment.com/responsible-investment) containing stewardship, responsible investment, research and other useful items for clients and interested stakeholders. Our Responsible Investment Policy and our statement of compliance with the UK Stewardship Code are disclosed publicly on this website.

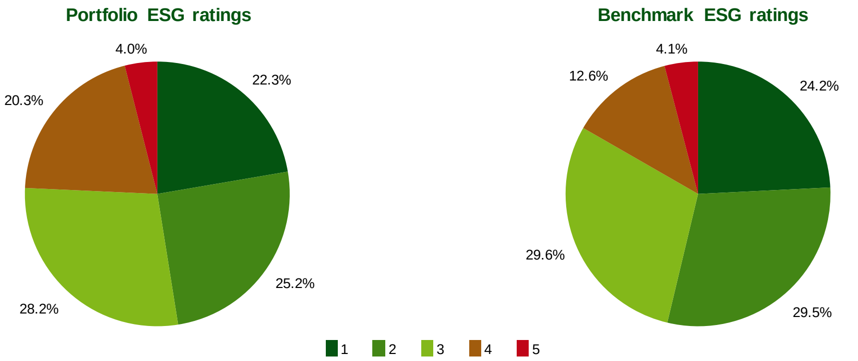


Information is also shared in a half-year newsletter available to clients.

Client portfolio reporting

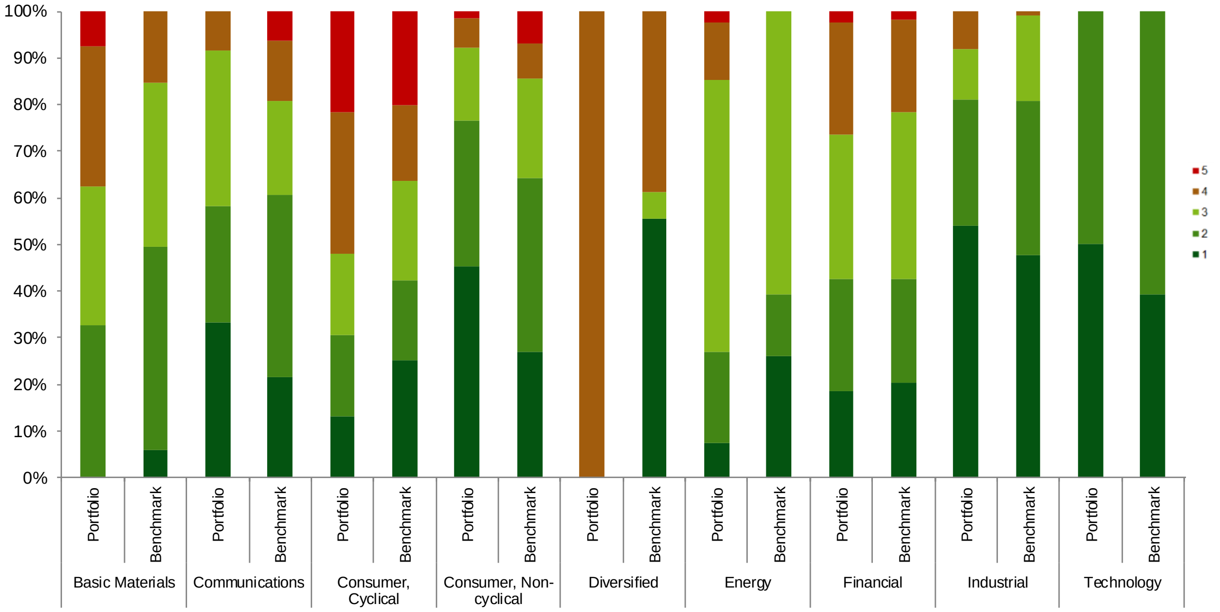
We provide tailored stewardship and ESG reporting to clients with an interest in these issues on a quarterly, half-yearly or annual basis, depending on their specific mandates. Depending on their interests, we provide information on the ESG characteristics of portfolios, on our stewardship activities, on our voting activities and on our wider engagement with policymakers. Below we show five screenshots of a sample portfolio that has ESG reporting requirements.

ESG scores



	Overall	Governance	Environment	Social	Legend	
Portfolio Score	2.6	3.1	2.3	3.0	1	Strong
Benchmark Score	2.4	2.9	2.2	3.0	5	Weak

ESG performance distribution by sector



ESG theme performance

Theme		Portfolio	Benchmark
Environment		2.3	2.2
	Carbon Externalities	1.4	1.3
	Water Externalities	1.6	1.6
	Waste Externalities	1.8	1.7
Social		3.0	3.0
	Health & Safety	1.5	1.5
	Labour Management	3.0	3.0
Governance		3.1	2.9
	Corporate Governance	2.7	2.5
	Business Ethics/Fraud	3.5	3.4
ESG		2.6	2.4

Legend

1	Strong
5	Weak

Lowest ESG-rated companies

	Environment	Carbon	Water	Waste	Social	H&S	Labour	Governance	Corp Gov	Bus Ethics
Bank Of America Corp 2.5% 27/07/2020	2	1	1	1	3	1	3	5	4	4
Bank Of America Corp 4.625% 07/08/2017	2	1	1	1	3	1	3	5	4	4
Bank Of America Corp 4.75% 03/04/2017	2	1	1	1	3	1	3	5	4	4
Bank Of America Corp 5.65% 01/05/2018	2	1	1	1	3	1	3	5	4	4
Bank Of America Corp 6.5% 01/08/2016	2	1	1	1	3	1	3	5	4	4
Bank Of America Corp 6.875% 15/11/2018	2	1	1	1	3	1	3	5	4	4
Bank Of America Corp 7% 15/06/2016	2	1	1	1	3	1	3	5	4	4
Barrick Gold Corp 3.85% 01/04/2022	4	2	3	5	3	3	4	4	3	3
Barrick Na Finance Llc 5.7% 30/05/2041	4	2	3	5	3	3	4	4	3	3
Macys Retail Hldgs Inc 2.875% 15/02/2023 (callable 15/11/22)	4	1	3	1	4	2	3	4	4	3
Macys Retail Hldgs Inc 4.375% 01/09/2023 (callable 01/06/23)	4	1	3	1	4	2	3	4	4	3
Macys Retail Hldgs Inc 5.9% 01/12/2016	4	1	3	1	4	2	3	4	4	3
Moody's Corporation 1.75% 09/03/2027 (callable 09/12/26)	2	2	2	1	4	1	2	3	3	4
Nexen Energy Ulc 5.875% 10/03/2035	5	4		4	4	4		5	4	
Southern Copper Corp 5.375% 16/04/2020	5	5		5	4	3	5	5	5	
Volkswagen Bank Gmbh 1.125% 08/02/2018	3	1	1	3	4	2	4	5	4	5
Volkswagen Intl Fin Nv 1% 26/10/2016	3	1	1	3	4	2	4	5	4	5
Volkswagen Intl Fin Nv 1.6% 20/11/2017 Regs	3	1	1	3	4	2	4	5	4	5
Volkswagen Intl Fin Nv 2% 14/01/2020	3	1	1	3	4	2	4	5	4	5
Volkswagen Intl Fin Nv 2% 26/03/2021	3	1	1	3	4	2	4	5	4	5
Volkswagen Intl Fin Nv 7% 09/02/2016	3	1	1	3	4	2	4	5	4	5
Volkswagen Leasing Gmbh 2.375% 06/09/2022	3	1	1	3	4	2	4	5	4	5

Legend

5	Weak
1	Strong

ESG analysis by country

Portfolio

	ESG Rating					
	1	2	3	4	5	Total
Australia	0.72%	3.06%	0.00%	0.00%	0.00%	3.78%
Austria	0.00%	0.18%	0.00%	0.00%	0.00%	0.18%
Belgium	1.08%	0.72%	0.00%	0.00%	0.00%	1.80%
Bermuda	0.00%	0.00%	0.18%	0.00%	0.00%	0.18%
Brazil	0.00%	0.00%	0.00%	0.54%	0.00%	0.54%
Britain	2.52%	1.26%	4.32%	5.05%	0.00%	13.15%
Canada	0.00%	0.72%	0.54%	0.00%	0.36%	1.62%
China	0.00%	0.00%	0.00%	0.00%	0.18%	0.18%
Denmark	0.18%	0.36%	0.18%	0.00%	0.00%	0.72%
France	3.06%	5.05%	5.77%	0.00%	0.00%	13.87%
Germany	3.60%	1.80%	0.90%	0.90%	1.26%	8.47%
Hong Kong	0.00%	0.00%	0.00%	0.36%	0.00%	0.36%
Ireland	0.54%	0.00%	0.00%	0.00%	0.00%	0.54%
Italy	1.98%	0.72%	1.80%	0.00%	0.00%	4.50%
Japan	0.00%	0.00%	0.54%	0.00%	0.00%	0.54%
Luxembourg	0.00%	0.54%	0.18%	0.00%	0.00%	0.72%
Mexico	0.00%	0.00%	0.00%	0.54%	0.18%	0.72%
Netherlands	0.54%	1.98%	4.50%	0.00%	0.00%	7.03%
Norway	0.18%	0.72%	0.00%	0.00%	0.00%	0.90%
Spain	0.72%	0.18%	1.26%	0.00%	0.00%	2.16%
Sweden	1.08%	2.34%	0.00%	0.00%	0.00%	3.42%
Switzerland	0.72%	0.54%	0.54%	1.80%	0.00%	3.60%
United States	5.41%	4.86%	7.57%	11.17%	1.98%	30.99%
Total	**22.34%**	**25.05%**	**28.29%**	**20.36%**	**3.96%**	**100.00%**

Benchmark

	ESG Rating					
	1	2	3	4	5	Total
Australia	0.76%	2.42%	0.32%	0.00%	0.00%	3.51%
Austria	0.45%	0.13%	0.25%	0.13%	0.00%	0.96%
Belgium	0.96%	0.25%	0.57%	0.06%	0.00%	1.85%
Bermuda	0.00%	0.00%	0.06%	0.00%	0.00%	0.06%
Brazil	0.00%	0.00%	0.06%	0.13%	0.00%	0.19%
Britain	2.55%	1.72%	3.44%	2.61%	0.13%	10.45%
Canada	0.00%	0.00%	0.00%	0.06%	0.00%	0.06%
China	0.00%	0.00%	0.00%	0.19%	0.00%	0.19%
Denmark	0.13%	0.25%	0.96%	0.00%	0.00%	1.34%
Finland	0.00%	0.25%	0.13%	0.13%	0.00%	0.51%
France	4.59%	8.73%	8.73%	0.00%	0.00%	22.05%
Germany	4.14%	2.49%	3.00%	1.72%	1.53%	12.87%
Hong Kong	0.00%	0.00%	0.00%	0.32%	0.00%	0.32%
India	0.00%	0.13%	0.00%	0.00%	0.00%	0.13%
Ireland	0.06%	0.00%	0.32%	0.13%	0.00%	0.51%
Israel	0.00%	0.00%	0.00%	0.19%	0.00%	0.19%
Italy	1.53%	2.10%	1.72%	0.32%	0.00%	5.67%
Japan	0.00%	0.13%	0.64%	0.32%	0.00%	1.08%
Luxembourg	0.00%	0.19%	0.32%	0.00%	0.00%	0.51%
Mexico	0.00%	0.25%	0.00%	0.00%	0.51%	0.76%
Netherlands	1.59%	1.72%	2.74%	0.00%	0.00%	6.05%
Norway	0.00%	0.51%	0.32%	0.00%	0.00%	0.83%
Poland	0.00%	0.00%	0.19%	0.06%	0.00%	0.25%
Portugal	0.38%	0.00%	0.19%	0.00%	0.00%	0.57%
Singapore	0.00%	0.06%	0.00%	0.00%	0.00%	0.06%
South Africa	0.00%	0.13%	0.00%	0.00%	0.00%	0.13%
Spain	2.04%	3.00%	1.02%	0.00%	0.06%	6.12%
Sweden	1.66%	1.98%	0.13%	0.00%	0.19%	3.95%
Switzerland	0.89%	0.76%	0.64%	1.21%	0.00%	3.51%
Turkey	0.00%	0.00%	0.00%	0.06%	0.00%	0.06%
United States	2.49%	2.29%	3.82%	4.97%	1.66%	15.23%
Total	**24.22%**	**29.51%**	**29.57%**	**12.62%**	**4.08%**	**100.00%**

For illustrative purposes only. Not intended to be an investment recommendation.

Assurance

Insight's public reporting is covered by Insight's risk and compliance processes. All ESG-related communications issued by Insight are governed by these standards. Our internal Compliance function reviews all public-facing documents related to our responsible investment, stewardship, voting and ESG activities.

We have not sought to have our ESG-related reporting externally assured or verified. We consider Insight's existing compliance and auditing framework to be suitable for this purpose and to meet the requirements of our clients and regulators. Insight does employ an independent consultant to support some elements of its ESG and stewardship programme, in particular ESG integration process, reporting and risk management.

As noted above, we report publicly in a variety of ways (our Putting Principles into Practice report, our website, our annual response to the annual Principles for Responsible Investment reporting and assessment process). We encourage clients and other stakeholders to provide feedback on these documents, and we are always willing to provide additional information or evidence should this be required.

Contact

Email	ri@insightinvestment.com
Address	160 Queen Victoria Street, London EC4V 4LA

www.insightinvestment.com

@insightinvestim

company/insight-investment

Appendix I. Stewardship and responsible investment leadership

Our responsible investment activities are overseen by the ESG Working Group, which consists of senior managers from across the business, representing investment management, risk, human resources and communications departments. The ESG Working Group sets, reviews and monitors the implementation of responsible investment. It focuses particularly on the following:

- Identifying new/emerging ESG issues
- Prioritising issues that require further action
- Ensuring that agreed actions are implemented.

The ESG Working Group, which met six times in 2016, reports periodically to the Business Management Group, a senior management group of Insight executives and employees chaired by Insight's Chief Executive Officer.

Over the year, the ESG Working Group's efforts have resulted in several new developments, including:

- A new Responsible Investment Policy that outlines our organisation-wide commitment to responsible investment and building capabilities in new asset classes
- Extending our statement of compliance with the UK Stewardship Code and developing our engagement activities in fixed income
- Updating Insight's policy on investments in cluster munitions and landmines, now available on Insight's website
- Capturing carbon risk within the credit investment process, which led to the design of a carbon emissions risk tool focusing on specific credit sectors

ESG Working Group members include:

- David Averre, Head of Credit Analysis
- Adrian Grey, Chief Investment Officer – Active Management
- David Chellew, Head of Marketing
- Joshua Kendall, ESG Analyst
- Lynne Dalgarno, Head of Human Resources
- Bonnie Smith, Product Director
- Jonathan Eliot, Chief Risk Officer
- Rory Sullivan, Responsible Investment Advisor
- Victoria May[6], Head of Institutional, North America

Please note that the membership to the ESG Working Group may be subject to change without prior notification.

[6] Victoria May is an employee of Insight's US affiliate

Appendix II. Responsible Investment Policy

We believe strong governance practices and management of environmental and social risks are important drivers of investment value over the short and the long term. We also believe that delivering sustainable investment returns is dependent on efficient and well-managed financial markets, and stable and transparent social, environmental and economic systems.

Our objective is to achieve superior investment returns over clients' expected time horizons. We consider responsible investment to contribute towards this goal through providing investment solutions that deliver quality and excellence; managing financial and non-financial risks for our clients; and operating to high ethical and professional standards.

We consider responsible investment as central to our investment activities, to our culture, to our relationship with clients and to our interaction with stakeholders.

1. Take account of financially material short and long-term risk factors in our investment research and decision-making processes. These risk factors may include environmental, social and governance (ESG) issues.

Where material to investment risk and opportunity, ESG factors are incorporated into our investment analysis and form a key part of our investment appraisal process. We conduct our investment appraisals while meeting our obligations as a UN-supported PRI signatory and with an objective to integrate ESG issues within all relevant investment strategies. How we implement this policy:

- Using ESG research within our bottom-up investment evaluations
- Monitor ESG risks that may be material
- Implement systems and processes incorporating ESG factors
- Conduct research on ESG issues

2. Exercise our stewardship role in the companies and other entities in which we invest. We believe that good stewardship can create investment opportunities and reduce investment risk. We therefore engage with management to discuss issues such as strategy, deployment of capital, performance, remuneration, risk management and ESG factors. We also vote our shareholdings.

At Insight we take our responsibilities as investors seriously and believe that good stewardship can create investment opportunities and reduce investment risk. We therefore engage with management where necessary to discuss issues such as strategy, deployment of capital, performance, remuneration principles, and attitudes to risk, including environmental and social issues that may have a material impact on the financial strength of the company.

With respect to share ownership, where Insight holds any physical equity positions we routinely vote on behalf of our clients with regard to the UK companies in which they have a shareholding. We vote our holdings according to the Insight voting policy. How we implement this policy:

- Ensure we have reasonable access to management and boards
- Set objectives and allocate suitable resources
- Public policy activity on systemic risk issues
- Participate in collaborative investor activity

3. Support efforts that seek to improve the operation, resilience and stability of financial markets. This includes sustainable economic development and health of the natural environment.

We consider that a sustainable economy is in our clients' short and long-term interests. We advocate for improving financial regulation and market reform to deliver security for investment and the reduction of externalities and opacity.

Our leadership extends to contributing towards creating a sustainable environment in which to live. For this reason, Insight has a responsibility to give its support, expertise and design solutions that can mitigate the systemic risks of our time and in the future. That can include environmental and social factors, as well as governance and ethics. How we implement this policy:

- Build knowledge and awareness internally and among our key stakeholders
- Report and communicate on our responsible investment programme
- Create ESG investment solutions for clients
- Ensure accountability and senior support for our responsible investment programme

Appendix III. BNY Mellon’s ownership of Insight Investment

Founded in 2002, Insight Investment Management Limited (IIML) announced its acquisition of Rothschild Asset Management Limited (RAM) in 2003. In November 2009, IIML became part of The Bank of New York Mellon Corporation – one of the world’s major financial services groups with operations in 35 countries serving more than 100 markets. In 2013 currency risk management specialist, Pareto Investment Management Limited (PIML), became part of Insight, while more recently, US fixed income boutique Cutwater Asset Management (Cutwater) was acquired by BNY Mellon in 2015. Today, these businesses operate as Insight Investment.

Insight operates with an independent management structure and boards, which include a number of non-executive directors. As part of BNY Mellon’s multi-boutique structure, Insight has the backing of a sound global financial institution for which asset management is a core strategic priority.

Appendix IV. Conflict of Interest Policy

Potential Conflict of Interest scenarios and actions taken to address them

There are a number of potential conflicts of Interest that are inherent in relation to stewardship activities at Insight.

Insight acts as discretionary investment manager to a number of institutional clients such as pension funds, local authorities, insurance companies and investment firms.

Our policy is that Insight must not place its own interests unfairly above those of its customers. During the course of stewardship activities and investment management activities, from time to time Insight 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 resolution. This Policy should be read in conjunction with the BNYM Code of Conduct.

The BNYM Code of Conduct is applicable to all Insight Investment staff and sets out our responsibilities in relation to managing conflicts of interest in a number of different scenarios, i.e. personal trading, gifts and entertainment and outside employment and interests. Adherence to the Code of Conduct of is highlighted as part of new colleagues' induction and existing colleagues are reminded via the Code of Conduct Questionnaire completed on an annual basis.

Conflicts management

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. Insight does not ordinarily act as principal to any trade and as such, deal-related conflicts between itself and its customers do not arise. However, a number of policies are in place to ensure that staff dealing and inside information is appropriately managed to avoid any conflicts of interest.
- 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, Order Execution Policy, a Material Non-Public Information and Insider Information policy and appropriate segregation of duties to ensure the fair and equal treatment of all clients.
- Insight is a separate asset manager within the BNY Mellon Investment Management boutique structure and is located in its own secure premises. The organisational structure and hence the operational independence of Insight is such that conflicts are unlikely to arise between Insight and the other BNYM businesses. Effective Chinese Walls are in place between the parent BNYM and its business and Insight to manage potential conflicts should they arise.

As a consequence of these points, in the vast majority of instances, potential conflicts associated with Insight's activities are unlikely to arise. Where conflicts do arise the matter is discussed as relevant between senior business managers, Compliance and Risk to ensure that appropriate action is taken. All new conflicts are also reported via our governance framework.

Proxy voting

Insight shall vote proxies on behalf of clients for whom Insight has been given and agreed to accept voting authority. The fundamental guideline followed by Insight in voting proxies is to ensure that the manner in which shares are voted is in the best interests of clients and the values of their investments. Any general or specific proxy voting guidelines provided by a client or it designated agent in writing will supersede the specific guidelines in this Policy.

Insight will always seek to act in the best interests of its clients when making investment decisions or casting votes on their behalf. Where BNYM, Insight or the clients themselves have business relationships with investee companies, these will be disregarded by Insight in making its investment or voting decisions.

External interests

Insight's policy is that the firm and its employees must not place their own interests unfairly above those of Insight's customers. Although not likely to present a conflict of interest with Insight's day-to-day activities in many cases, colleagues are required to disclose such interests and request pre-approval where required via the ethics office. For example, external directorships held as a result of Insight's business in those companies that are not subsidiaries of the Group. This will include situations where the investment manager or analyst holds directorships in companies they hold in client portfolios or which they provide analysis.

Conclusion

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, Insight should only proceed with a transaction if, after due consideration, it believes that it will be in the best interests of the customer and every effort has been made to manage conflicts.

All customers must be treated equally and the interests of customers should at all times take precedence over the interests of Insight or BNYM.

Other disclosures

This document is a financial promotion and is not investment advice.

This document must not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or otherwise not permitted. This document should not be duplicated, amended or forwarded to a third party without consent from Insight Investment.

Insight does not provide tax or legal advice to its clients and all investors are strongly urged to seek professional advice regarding any potential strategy or investment.

For a full list of applicable risks, and before investing, investors should refer to the Prospectus or other offering documents. Please go to www.insightinvestment.com.

Unless otherwise stated, the source of information and any views and opinions are those of Insight Investment.

Telephone calls may be recorded.

For clients and prospects of Insight Investment Management (Global) Limited:

Issued by Insight Investment Management (Global) Limited. Registered in England and Wales. Registered office 160 Queen Victoria Street, London EC4V 4LA; registered number 00827982.

For clients and prospects of Insight Investment Funds Management Limited:

Issued by Insight Investment Funds Management Limited. Registered in England and Wales. Registered office 160 Queen Victoria Street, London EC4V 4LA; registered number 01835691.

For clients and prospects of Insight Investment International Limited:

Issued by Insight Investment International Limited. Registered in England and Wales. Registered office 160 Queen Victoria Street, London EC4V 4LA; registered number 03169281.

Insight Investment Management (Global) Limited, Insight Investment Funds Management Limited and Insight Investment International Limited are authorised and regulated by the Financial Conduct Authority in the UK. Insight Investment Management (Global) Limited and Insight Investment International Limited are authorised to operate across Europe in accordance with the provisions of the European passport under Directive 2004/39 on markets in financial instruments.

For clients and prospects based in Singapore:

This material is for Institutional Investors only. This documentation has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, it and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 304 of the Securities and Futures Act, Chapter 289 of Singapore (the 'SFA') or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

For clients and prospects based in Australia and New Zealand:

This material is for wholesale investors only (as defined under the Corporations Act in Australia or under the Financial Markets Conduct Act in New Zealand) and is not intended for distribution to, nor should it be relied upon by, retail investors.

Both Insight Investment Management (Global) Limited and Insight Investment International Limited are exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 in respect of the financial services; and both are authorised and regulated by the Financial Conduct Authority (FCA) under UK laws, which differ from Australian laws. If this document is used or distributed in Australia, it is issued by Insight Investment Australia Pty Ltd (ABN 69 076 812 381, AFS License No. 230541) located at Level 2, 1-7 Bligh Street, Sydney, NSW 2000.