RESPONSIBLE STEWARDSHIP AT INSIGHT: 2022 REPORT

REPORT TO FULFIL THE REQUIREMENTS OF THE UK STEWARDSHIP CODE FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2021
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This report has been reviewed and approved by Insight’s Board of Directors, Executive Management Committee (EMC), iROC and our CEO Abdallah Nauphal.
FOREWORDS

SINCE INSIGHT’S INCEPTION TWO DECADES AGO, OUR CLIENTS’ NEEDS HAVE BEEN CENTRAL TO OUR MISSION AND PURPOSE. WE ARE COMMITTED TO INVESTING RESPONSIBLY AND HAVE EVOLVED OUR CAPABILITIES TO FOCUS ON MAXIMISING RESILIENCE IN THE FACE OF UNCERTAINTY.

We have made clear, practical steps to ensure that we fulfil our clients’ expectations, both by achieving results and in how we achieve them. We are determined to lead by delivering innovative solutions that reflect our specialist investment expertise and through evolving cutting-edge techniques which support the effective integration of environmental, social and governance (ESG) factors in the asset classes in which we invest.

Asset owners are increasingly looking to drive positive change, and over the last year, our partnership with clients has sharpened our focus on these issues – including the need to create long-term, sustainable outcomes for the economy, the environment and society.

In this annual report, we explain in detail a wide range of material enhancements in 2021 on responsible investment and stewardship-related activity at Insight. We also set out our strategy for continuous improvement, advancing stewardship and responsible investment practices in a range of areas, including:

- further improving governance structures, including refining the terms of reference for the Insight Responsibility Oversight Committee (IROC), which I chair, and its sub-groups, and enhancing our policies and procedure framework;
- strengthening ESG integration beyond corporate debt across the asset classes we invest in, customising procedures and systems, evolving existing solutions and introducing Insight’s range of Responsible Horizons strategies;
- incorporating new ESG data sources and strengthening controls around our proprietary ESG ratings ‘Prime’;
- making progress with outcomes-focused engagement by setting thematic priorities and by introducing a new engagement programme for our counterparties; and
- introducing explicit incentives related to effective stewardship, adding performance objectives for all Insight colleagues to encourage commitment and firm wide understanding of our ESG-related goals.

Our Client Summit in 2022 will be dedicated to responsible investment topics, including how asset owners are approaching commitments to net zero, the impact of applying ESG factors to fixed income and other asset types, and how asset owners should consider and address greenwashing risks. Client feedback has also contributed to Insight’s decision to reinforce its status as a responsible partner on major global issues, leading us to become a supporter of the UN Global Compact, the Task Force on Climate-Related Financial Disclosures (TCFD) and the Net Zero Asset Managers initiative. We will produce our first UN Global Compact and TCFD reports, and publish our net zero plan, in 2022.

As we seek to encourage other companies to operate effectively and in line with best practice, Insight must do the same. In 2021, Insight’s Diversity, Equity and Inclusion (DEI) Committee introduced an ambitious diversity and inclusion strategy. I am proud of the initiatives under way as we seek to encourage greater diversity within our business and to learn from our different backgrounds and perspectives.

I hope that this report provides you with answers to your questions and demonstrates our commitment to continuous improvement in this field. Please do not hesitate to get in touch with us if you would like more information or to share your thoughts with us more broadly.
IN OUR ROLE AS STEWARDS OF OUR CLIENTS’ ASSETS, OVER THE LAST YEAR WE ENHANCED OUR GOVERNANCE AND PROCESSES, EXPANDED OUR INVESTMENT RESEARCH AND ENGAGEMENT ACTIVITIES, AND LAUNCHED NEW INITIATIVES TO ENHANCE HOW WE INVEST.

Regarding our governance structure, we continue to review the effectiveness of our structures in relation to our stewardship activities. We have introduced our Ratings and Exclusions Group (REG) to enhance our oversight and structure focused on ESG issues; it is the key internal group for proposing firm-wide exclusion policies and confirming changes to exclusion lists and developments relating to our proprietary ESG ratings system, known as ‘Prime’ (set out in our responses under Principle 2 and 7 respectively). Separately, our Solutions (including LDI) Working Group has developed processes for responsible investment integration within our wider investment solutions.

To ensure our teams are well equipped to tackle ESG and related risks and issues effectively, we continued to strengthen and expand our stewardship and responsible investment expertise. Recognising the need for a clear and accountable investment leadership structure, in 2022 we appointed Robert Sawbridge as our Head of Responsible Investment. We also appointed several additional portfolio managers and specialists in our investment team and Responsible Investment team as well as embedding more ESG champions across Insight’s business. To support this, a more detailed training programme has been introduced which covers responsible investment and stewardship-related activities.

Supporting our teams with effective systems is also crucial, and so our proprietary corporate ESG and climate risk ratings, and sovereign ESG framework, have been further enhanced as we seek to better highlight material ESG risks to our specialists. These ratings directly support our engagement efforts: in 2021, of over 1,000 engagements with debt issuers, c.80% included some form of ESG dialogue.

Demonstrating the impact and output of such enhancements is another critical aspect of our work. Over the last year, we have developed a central thematic engagement programme and have made enhancements to our counterparty engagement programme for implementation in 2022. Topics for thematic engagement include climate change, water management, and diversity and inclusion. The improvements to our counterparty engagement programme are designed to increase our impact through engagement, commencing with Insight’s most significant trading partners.

In addition, we actively engaged with clients, regulators, policymakers and market participants to seek to mitigate systemic risks which affect our clients’ investments and the wider financial system. Our process identifies risks and prioritises issues for engagement and, with a clear strategy in place, we contributed to a series of consultations which have major implications for our clients and the wider market. These included detailed engagements on climate change and regulatory matters ranging from clearing in derivatives markets through to the labelling of sustainable products.

Partnership and dialogue with our clients are fundamental principles for Insight as we seek to build and enhance tailored, technical investment solutions designed to achieve specific objectives, including new strategies with objectives related to stewardship and sustainability. This report aims to support such dialogue by providing detail and transparency on our efforts for our clients and their advisers. If on reading this report you have further questions or feedback for us, please do let us know.

Under the Shareholder Rights Directive (SRD) 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. Both our engagement and proxy voting policies are contained within this document. 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.
PURPOSE, STRATEGY AND CULTURE
Insight’s purpose, investment beliefs, strategy, and culture enable effective stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Overview of response to Principle 1

KEY STATEMENTS

Context • Insight’s mission and purpose focus on increasing the certainty of achieving investment outcomes for our clients, which include pension portfolios 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 ESG considerations in our investment processes, and in our dialogue with issuers and other stakeholders, supports 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 include:
  – Strengthened stewardship governance, as seen by the establishment of REG, new hires into the Responsible Investment Team, and new D&I strategy
  – Commitment to Net Zero Asset Managers initiative
• Forward-looking strategic outlook
  – Opportunities to enhance engagement strategy, following Insight’s development of programme of thematic and counterparty engagements for initiation in 2022
1.1 CONTEXT

INSIGHT’S MISSION IS TO BRING TO INVESTORS AN ALTERNATIVE APPROACH TO SOLVING THEIR INVESTMENT PROBLEMS, ONE THAT AIMS TO IMPROVE THEIR EXPERIENCE AND INCREASE THEIR CONFIDENCE IN ACHIEVING THEIR OBJECTIVES. OUR MISSION IS ONLY POSSIBLE IF WE INTEGRATE ESG CONSIDERATIONS IN OUR INVESTMENT PROCESSES, AND IN OUR DIALOGUE WITH ISSUERS AND OTHER STAKEHOLDERS SO THAT WE PROVIDE HIGHLY TAILORED INVESTMENT SOLUTIONS FOR CLIENTS.

INSIGHT’S MISSION AND PURPOSE

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

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

Focusing only on what we are good at rather than being everything for everyone is a key requirement for achieving that, and so is working in partnership with our clients and their 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 officials and regulatory bodies to represent their interests and help find solutions that balance their benefits with those of society at large.

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

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

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

INVESTMENT BELIEFS

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

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

We believe integrating ESG issues into our investment processes, and in our dialogue with issuers and other stakeholders, supports better investment decisions and can ultimately help our clients achieve their desired outcomes.
In our view, this applies across all financial markets – including the risk management (LDI) and fixed income strategies that account for the majority of our AUM.

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 investment decision-making.

To this end, we aim to follow a responsible investment approach for all mandates, regardless of whether they include specific ESG exclusions, constraints or targets.

This is because 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. We expect managers who continuously develop their ESG investment approach to deliver better risk-adjusted returns in the long term.

**INSIGHT’S VALUES AND CULTURE**

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

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

Employee survey results 2021

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 survey¹ in October 2021.

<table>
<thead>
<tr>
<th>OVERALL ENGAGEMENT</th>
<th>80%</th>
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<tbody>
<tr>
<td>Change from 2019</td>
<td>0</td>
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<table>
<thead>
<tr>
<th>QUESTIONS INCLUDED IN THE OVERALL ENGAGEMENT SCORE</th>
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<tbody>
<tr>
<td>I would recommend Insight as a place to work</td>
</tr>
<tr>
<td>I am proud to tell others I work for Insight</td>
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<tr>
<td>I enjoy working here at Insight</td>
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</table>

While there remain areas where we want to improve, for example around career development and diversity, 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, November 2021.
1.2 ACTIVITY

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

In 2021 we aimed to deliver on our investment beliefs by:

• **Putting responsibility at the heart of how we do business**, as shown in the section focusing on Principle 2, which outlines changes we have made to our governance and business structures to sharpen this focus.

• **Integrating ESG issues into our investment processes**, as demonstrated in the section focusing on Principle 7 on ESG integration, which explains how we improved our proprietary Prime ESG and climate risk ratings to enhance our analysis of such factors.

• **Acting as effective stewards of companies and other entities**, as demonstrated in the section focusing on Principle 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 the section focusing on Principle 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 the section focusing on Principle 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 the section focusing on Principle 6, which outlines how we engage in close dialogue with our clients, providing detailed reports of the activity we undertake on their behalf.

**New initiatives for 2021**

• **Our business aims by 2030 to ensure the demographics of the regions in which we operate are mirrored in our respective local workforces.** We plan to be transparent about our progress and share regular updates as we work towards achieving our diversity goals.

• **Reflecting our commitment to tackling climate change**, we became a signatory to the Net Zero Asset Managers initiative in early 2021. Our net zero plan will be published in 2022. More information on our work on climate change is provided in the section focusing on Principle 4.

• **We also joined the UN Global Compact, the world’s largest corporate sustainability initiative, in late 2021.** The UNGC aims to support companies to:
  - do business responsibly by aligning their strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption
  - take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.
1.3 OUTCOMES

THE OUTCOMES FOR OUR SPECIFIC STEWARDSHIP ACTIVITY IN 2021 ARE OUTLINED THROUGHOUT THIS REPORT. PLEASE SEE PRINCIPLES 4, 6, 7 AND 9 IN PARTICULAR. WE HIGHLIGHT SOME SPECIFIC POINTS BELOW.

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

We highlight initiatives in 2021 that reflect how our purpose and beliefs have guided our operations as a business and investment manager.

- **Enhanced our governance structure to reflect our investment beliefs and focus on stewardship.** In 2021 we enhanced our oversight and structure on ESG issues. The IROC, chaired by Insight’s CEO Abdallah Nauphal, oversees a range of committees focused on different aspects of our commitment to responsible investment on behalf of our clients. Key initiatives in 2021 included the introduction of the REG. See the section focusing on Principle 2 for more details.

- **Developed a focused approach to counterparty engagement:** ESG risk assessment and engagement with counterparties is a long-standing part of our credit research process, particularly focused on the entities from the perspective of them issuing debt. In 2021 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 for 2022 with over 20 of Insight’s largest trading partners asked to respond to detailed questionnaires. See the section focusing on Principle 9 for more details.

- **Actively engaged on major issues with direct relevance to our clients, often achieving clear results, on topics such as climate change and the central clearing of derivatives.** See the section focusing on Principle 4 for more details.

- **Continued to develop tailored strategies and stewardship-focused reporting prioritising our clients’ interests, with these developments leading to wider innovations, such as detailed reporting on ESG and climate factors, for other clients.** See the section focusing on Principle 6 for more details.

- **Continued to integrate stewardship concerns, including a focus on ESG risk analysis, in many of our investment processes.** Our proprietary Prime ESG and climate risk ratings for corporate issuers, and Prime ESG and impact ratings for sovereign issuers, help our analysts and portfolio managers to identify, prioritise engagement and build portfolios focused on ESG and climate issues; these ratings frameworks were all enhanced and further developed in 2021. See the section focusing on Principle 7 for more on how we have integrated such factors in our investment approach.

- **Maintained an extensive engagement programme with debt issuers and as part of this we frequently raised ESG issues and actively encourage them to improve their practices, conducting over 1,000 engagements with debt issuers in 2021, of which c.80% included some form of ESG dialogue.** We also prepared significant new engagement programmes focusing on broad themes and counterparties, for initiation in 2022. See the section focusing on Principle 9 for more on our engagement activity.

- **Pioneered new approaches and developments focused on stewardship and ESG factors within investment areas including new strategies focused on achieving a positive environmental and/or social impact, in response to client demand.** See the sections focusing on Principles 7 and 9 for more details.
EVALUATING OUR EFFECTIVENESS IN SERVING THE BEST INTERESTS OF CLIENTS AND BENEFICIARIES IN 2021

How we have succeeded

The investment consultancy Greenwich Associates undertakes research with UK institutional clients and investment consultants each year. In the 2021 edition of this research, Insight was the second most highly rated UK institutional investment manager for service, based on interviews with 318 UK institutional investors. Insight has maintained a top decile position for service quality with UK institutional clients in nine of the last 11 years, having been recognised as service quality leader in 2015, 2017, 2019 and 2020. Separately, Insight was also rated as the top LDI provider for the eleventh year in a row2.

Other research that provides us with important feedback and insights include the following:

• Our global client survey, with the most recent showing 93% of respondents said they would recommend Insight. Around 75% of respondents rated Insight’s capabilities to support their ESG objectives as excellent or good (with most of the remainder having no view).
• Investment consultants and institutional UK clients rate Insight very highly for investment quality, service, and other factors.
• Based on a study of consultants and the editors of relevant institutional media, Insight’s brand is the most highly regarded among the largest European institutional investment managers, according to responses on factors including corporate culture, strength of the investment team, rigour of our investment process and the quality of our executive management team.
• In 2020 (the most recent available rating), we were awarded a PRI ‘A+’ rating for strategy, governance and the integration of responsible investment-related issues across fixed income corporate bond portfolios, securitised asset portfolios and fixed income government portfolios3.

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2 Source Greenwich Associates 2021. LDI: results are based on interviews with 11 UK consultants evaluating LDI.
3 PRI ratings are assessed against a range of indicators. Full details available from www.unpri.org.
Areas for improvement

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

We face some challenges with regard to 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
- Different markets require different approaches
- Challenges in obtaining input from some audiences

More details are provided in the section focusing on Principle 6.

In 2021, in response to client feedback, we perceived:

- a need for investment strategies that aim specifically for a positive environmental and/or social impact alongside a financial return
- a need for support on climate change-related goal-setting, disclosures and reporting
- a need for a forward-looking plan to tackle climate change through our investment activities
- a need for a formal commitment to tackling social issues, including inequality and human rights

We responded to this feedback through 2021 and are seeking to build further on it in 2022.

We expand on how we evaluate the effectiveness of our stewardship efforts and initiatives in the section focusing on Principle 5.

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Our most recent global client survey showed 93% of respondents said they would recommend Insight.
Insight’s governance, resources and incentives support stewardship.

Overview of response to Principle 2

**KEY STATEMENTS**

<table>
<thead>
<tr>
<th>Governance</th>
<th>Oversight</th>
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<tbody>
<tr>
<td>• Governance of the firm is carried out through Insight’s Board of Directors. The EMC is the key business management committee for the company.</td>
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<tr>
<td>• The IROC has oversight and accountability for responsible investment across investment, commercial development and communications activities, and our CSR programme.</td>
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<table>
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<tr>
<th>Effectiveness of our governance structure and processes</th>
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<tbody>
<tr>
<td>• Insight undertook a thorough review of its ESG policy framework, which applies across different aspects our business, including our risk management (LDI) and fixed income processes.</td>
</tr>
<tr>
<td>• Resulting updates implemented in 2021 include:</td>
</tr>
<tr>
<td>– Refinements to the terms of reference for IROC and its sub-groups.</td>
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<tr>
<td>– Further enhancements to Insight’s policy and procedure framework.</td>
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<tr>
<td>– Ensuring SFDR classifications for strategies are accurate, with new strategies in development align with the SFDR framework.</td>
</tr>
<tr>
<td>– Creating a marketing framework to ensure standards for materials referring to responsible investment and stewardship activity are consistent and subject to appropriate checks and controls.</td>
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<table>
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<tr>
<th>Resources</th>
<th>Resourcing of our responsible investment capabilities</th>
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<tbody>
<tr>
<td>• 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.</td>
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<thead>
<tr>
<th>Resources</th>
<th>Resourcing of third-party service providers supporting our activities</th>
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<tbody>
<tr>
<td>• We only enhance Insight’s efforts with third-party providers for stewardship services when necessary, such as specialist data providers and proxy voting services.</td>
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<tr>
<th>Incentives</th>
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<tr>
<td>• Performance appraisals of credit analysts, portfolio managers and other relevant specialists are linked to their ESG-related responsibilities.</td>
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<tr>
<td>• From 2022, all Insight staff will have performance objectives linked to responsible investment.</td>
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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, IMPROVE ACCOUNTABILITY AND ENSURE TRANSPARENCY.

OVERSIGHT

Insight is part of BNY Mellon. BNY Mellon operates a multi-boutique asset management model in which each investment management firm enjoys complete 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; and all parties benefit from the backing of a sound global financial institution.

Insight Board of Directors

Governance of Insight 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 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 quarterly 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.

The EMC and/or its sub-committees are typically responsible for designing initiatives that contribute towards good stewardship. The CEO, Global 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 page 16.

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.

Insight Responsible Oversight Committee (IROC)
Stewardship within the investment function, which is often seen as the principal stewardship activity externally, is overseen by the 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), commercial development and communications activities, and our CSR programme.

The purpose of the IROC is to set the strategic priorities and apply appropriate oversight to ensure responsible investment and CSR 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.

The IROC and sub-governance groups (as at 31 December 2021)

IROC membership includes (this list is not comprehensive):
- CEO
- Head of Client Solutions
- Head of Human Resources
- Global Chief Investment Officer (CIO)
- Chief Operating Officer (COO)
- Chief Compliance Officer (new for 2022)
- Head of European Credit, Deputy Head of Fixed Income
- Head of Responsible Investment Research and Stewardship
- Head of Responsible Investment Solutions
- Global Head of Distribution
- Head of Distribution, EMEA
- Head of Marketing
Responsible Investment Group (RIG)

A key group that reports to IROC is the Responsible Investment Group (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, known as SFDR)
- **Review and assurance**: Identifying enhancements and prioritising updates to our responsible investment approach, including satisfactorily addressing findings of internal audit and compliance reviews

The Responsible Investment Group (RIG) and sub-groups

<table>
<thead>
<tr>
<th>Group Membership</th>
<th>Fixed Income</th>
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</thead>
<tbody>
<tr>
<td><strong>Proxy Voting Group</strong></td>
<td><strong>Ratings and Exclusions</strong></td>
</tr>
<tr>
<td>Chair: Tim Race</td>
<td>Chair: Joshua Kendall</td>
</tr>
<tr>
<td>Senior Portfolio Manager, Specialist Equity Group</td>
<td>Head of Responsible Investment Research and Stewardship</td>
</tr>
<tr>
<td><strong>Responsibility Investment Group</strong></td>
<td><strong>Investment Implementation Groups</strong></td>
</tr>
<tr>
<td>Chair: Lucy Speake</td>
<td>Chair: Colm McDonagh</td>
</tr>
<tr>
<td>Co Head of Fixed Income</td>
<td>CEO, Insight Europe</td>
</tr>
<tr>
<td><strong>Working Group</strong></td>
<td><strong>Corporate Fixed Income</strong></td>
</tr>
<tr>
<td>Chair: Paul Richmond</td>
<td>Chair: Robert Sawbridge</td>
</tr>
<tr>
<td>Deputy Head of Solution Design</td>
<td>Head of Responsible Investment</td>
</tr>
<tr>
<td><strong>Solutions (including LDI)</strong></td>
<td><strong>Group Membership</strong></td>
</tr>
<tr>
<td><strong>Multi-Asset</strong></td>
<td><strong>Fixed Income</strong></td>
</tr>
<tr>
<td>Shantanu Tandon</td>
<td>Fabien Collado</td>
</tr>
<tr>
<td>Portfolio Manager</td>
<td>ESG Portfolio Manager</td>
</tr>
<tr>
<td><strong>Equities</strong></td>
<td>Erin Spalsbury (US)</td>
</tr>
<tr>
<td>Andy Cawker</td>
<td>Senior Portfolio Manager</td>
</tr>
<tr>
<td>Head of Specialist Equity Group</td>
<td>Adam Whiteley</td>
</tr>
<tr>
<td><strong>Data</strong></td>
<td>Simon Cooke</td>
</tr>
<tr>
<td>Tudor Thomas</td>
<td>Portfolio Manager, Emerging Markets</td>
</tr>
<tr>
<td>Senior Quantitative Researcher</td>
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</tbody>
</table>
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.

Ratings and Exclusions Group (REG)
A key development in 2021 was the introduction of the REG, the key internal group for proposing firm-wide exclusion policies and confirming changes to Insight exclusion lists and ESG ratings. It is chaired by Joshua Kendall, the Head of Responsible Investment Research and Stewardship. Its responsibilities include the following:

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

Proxy Voting Group
The Proxy Voting Group is responsible for overseeing voting decisions for Insight’s global proxy voting activities. The Group is the primary governance body for setting voting policies and applying voting decisions. It is chaired by Tim Rees, Senior Portfolio Manager in the Specialist Equity Group.

The Group’s responsibilities include the following:

1. **Voting policy**: Oversee and set the global Insight voting policy. The Group will review and approve the voting policy at least annually.
2. **Voting guidelines**: Oversee and set the global Insight voting guidelines. The Group will review and approve the voting policy at least annually.
3. **Conflicts of interest**: Manage conflicts when making voting instructions in line with Insight conflict policies. This may include the Group casting voting decisions.
4. **Monitoring**: Review upcoming votes that cannot be made with Insight’s voting guidelines and make voting decisions.
5. **Proxy agent**: Appoint and monitor third-party proxy agencies, including the services they perform for Insight in implementing its voting policy.
7. **Regulations**: Ensure all voting activities are compatible with local regulations.

**Effectiveness of Governance Structure and Processes**

There is a formal process by which the terms of reference for IROC and its sub-groups are reviewed at least annually. Throughout 2021, as in the previous year and in line with our commitment to continuous improvement, we enhanced our governance structure and identified individuals with formal accountability for Insight’s responsible investment programme.
These enhancements are discussed below in further detail:

- **Enhanced our governance and oversight structure:** The introduction of the REG and further development of the programme of work for and expanding specialist membership of the Solutions (including LDI) Working Group.

- **Identified and recruited individuals with formal responsible investment accountability:** As discussed in the resourcing section below.

- **Thoroughly reviewed Insight’s ESG policy framework:** In 2021, a review of Insight’s ESG policy framework identified various points for improvement. Some examples of the resulting updates are as follows:
  - Making refinements to the terms of reference for IROC and its sub-groups.
  - Making further enhancements and additions to the management information provided to IROC.
  - Set adherence frameworks relating to external ESG networks in which Insight participates and/or to whom Insight is a signatory (see the section focused on **Principle 10** for more information).
  - Internal and external data sources relating to ESG factors and related policies have been formalised, and IROC review and approval has been evidenced.
  - Ensuring SFDR classifications for strategies are accurate, with new strategies in development align with the SFDR framework.
  - A marketing framework was created to ensure standards for materials referring to responsible investment and stewardship activity are consistent and subject to appropriate checks and controls. This included the publication of Insight’s ESG and responsible investment glossary.

These updates were intended to align Insight’s policy framework with the ESG policy framework of BNY Mellon Investment Management. These updates also take into account the FCA letter regarding "authorised ESG and sustainable investment funds" issued in July 2021.

More details on the above, and further details of how we evaluate the effectiveness of our structure and processes, are provided in the section focusing on **Principle 5**.

**New for 2022**

Enhancements we have identified for 2022, focusing on our governance structure and processes, include the following:

- Further enhancements in stewardship and engagement procedures (please see the section focusing on **Principle 9**).
- Further enhancements for investment governance procedures (e.g., the investment function’s role/responsibility), oversight and controls (e.g., reporting requirements in place for making investment decisions, including use of internal investment data, the due diligence, risk assessment of, and approval process for, any new investments and escalation process) within specific asset classes.
- Making further enhancements to insight’s policy and procedure framework, particularly around more detailed documentation of Insight’s ESG rating methodology and tool (Prime), the integration of ESG risk into Insight’s issuer evaluation and investment processes, issuer engagement practices and the definition of various ESG investment guidelines and exclusions.
- A new diversity and inclusion strategy from Insight’s Diversity, Equity and Inclusion (DEI) Committee, a sub-committee of Insight’s EMC. Insight’s DEI Committee has the following objectives:
  - A measurable improvement in performance versus key DEI metrics
  - Determination of relevant metrics that support our planned performance, including putting in place a system that delivers regular reporting
  - Ensure Insight’s Affinity Groups are established, have strong leadership and a clear purpose about how to contribute. These Groups include the following:
    - Women at Insight
    - Multigenerational Insight
    - Multicultural Insight
    - Disability Awareness
    - LGBT+ Insight
    - Veterans at Insight
  - Determine which relevant groups, organisations and initiatives Insight should be aligned to, and to actively engage and leverage our participation
  - Build on current practices to establish a level playing field for career development and progression; and introduce new programmes to support the development of underrepresented groups
  - All employees to be able to articulate Insight’s DEI aspirations, and high proportions of employees to be active in DEI activities
  - Conduct a ‘root and branch’ review of recruitment across the firm to measure alignment with DEI goals, and develop an action plan to address issues
  - Evaluation of key people practices to determine their impact on DEI, and develop proposals to address issues identified.

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*Authorised ESG & Sustainable Investment Funds: improving quality and clarity (PDF), 19 July 2021, FCA.*
2.2 RESOURCES

RESOURCING OF OUR RESPONSIBLE INVESTMENT CAPABILITIES

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

- **Investment teams**: Responsibility for our stewardship activity is integrated within our risk management (LDI) and fixed income processes, with our investment teams responsible for research and engagement with relevant stakeholders. This includes analysis of and dialogue covering 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.

- **Market and regulatory reform function**: Our market and regulatory reform function oversees broader issues impacting Insight and its clients, with a particular focus on engagement with policymakers for upcoming regulatory and policy changes. See the section focusing on Principle 4 for more information on our activity in this area.

The Responsible Investment Team works closely with, and supports, our team of 290 investment professionals, a breakdown of which is shown below. Of our investment professionals, 90 are based in the US.

The table below shows the resourcing of our investment teams, with average years’ industry experience and average years’ tenure at Insight:

<table>
<thead>
<tr>
<th>Investment team</th>
<th>Total</th>
<th>Average years’ industry experience</th>
<th>Average years’ tenure at Insight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>166</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>LDI</td>
<td>61</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>Multi-asset</td>
<td>11</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>Specialist investments</td>
<td>14</td>
<td>22</td>
<td>10</td>
</tr>
<tr>
<td>Currency</td>
<td>24</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
<td>17</td>
<td>10</td>
</tr>
</tbody>
</table>

As at 31 December 2021. Includes non-UK employees of Insight North America, which provides asset management services as part of Insight.

RESOURCING INSIGHT’S INVESTMENT TEAMS

Fixed income

Insight’s Fixed Income Group, which we believe to be one of the best-resourced and most highly experienced fixed income teams, is responsible and held accountable for upholding our stewardship and ESG-related priorities. This process is overseen by Lucy Speake, Co-Head of Fixed Income.

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

Responsible investment implementation groups under RIG

<table>
<thead>
<tr>
<th>Mandate</th>
<th>Corporate fixed income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To effectively apply the responsible investment strategy across corporate fixed income, in particular:</td>
</tr>
<tr>
<td></td>
<td>• High ESG risk issuers</td>
</tr>
<tr>
<td></td>
<td>• Significant ESG changes</td>
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<tr>
<td></td>
<td>• Thematic issues</td>
</tr>
<tr>
<td></td>
<td>• Research requirements</td>
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<tr>
<td></td>
<td>• Engagement outcomes</td>
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<tr>
<td></td>
<td>• Process enhancements</td>
</tr>
<tr>
<td></td>
<td>• Derivative counterparty analysis</td>
</tr>
<tr>
<td>Meeting frequency</td>
<td>Quarterly</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mandate</th>
<th>Sovereign fixed income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To effectively apply the responsible investment strategy across sovereign fixed income, in particular:</td>
</tr>
<tr>
<td></td>
<td>• High ESG risk issuers</td>
</tr>
<tr>
<td></td>
<td>• Significant ESG changes</td>
</tr>
<tr>
<td></td>
<td>• Thematic issues</td>
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<td></td>
<td>• Research requirements</td>
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<td></td>
<td>• Engagement outcomes</td>
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<tr>
<td></td>
<td>• Derivative counterparty analysis</td>
</tr>
<tr>
<td>Meeting frequency</td>
<td>Quarterly</td>
</tr>
</tbody>
</table>
As fixed income assets are a core allocation within many, if not most, of our clients’ portfolios (including the risk management assets managed by Insight – see the section focusing on Principle 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.

We have meaningfully expanded our fixed income team given the need for resources focused specifically on responsible investment and stewardship. In 2021, new investment professionals included Fabien Collado, ESG Portfolio Manager; Claire Bews, Integrated Solutions Credit Portfolio Manager; Rhona Cormack, Senior Stewardship Analyst.

The primary responsibility for ESG analysis in the management of fixed income assets is undertaken by our 47-strong credit analysis function. Insight’s credit analysis function has an average of 17 years’ industry experience and eight years’ tenure at Insight (as at 31 December 2021). 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.

Upon joining, all new credit analysts receive structured ESG training, covering topics including ESG research and stewardship activities. More broadly, for all Insight employees, access to ESG learning material is available to improve the technical and theoretical understanding of colleagues. We expect all credit analysts to attend conferences both for company specific reasons and for more holistic exposure to the impact and trends within responsible investment.

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 team to support our efforts in risk management (LDI) to invest responsibly.

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 the section focusing on Principle 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 the section focusing on Principle 6, and elsewhere in this report). The integration of ESG factors and stewardship at an asset-class level is therefore key. The Solutions Working Group aims to bring together the different aspects of the solutions we manage in a coherent way, covering aspects such as solutions design and stewardship with regard to pension funds and derivative themes (recognising the importance of the role of risk management strategies in achieving clients’ outcomes), reporting and client engagement. The Group aims to build materials for internal and external use and highlights areas that need further attention.

In 2021 the Solutions (including LDI) Working Group focused on:

• Publishing our Prime ESG risk ratings of our clients’ derivative counterparties in their investment reports.
• Sharing engagement statistics and case studies for pension schemes’ implementation statements.

The primary responsibility for ESG analysis in the management of fixed income assets is undertaken by our 47-strong credit analysis function. As part of the fundamental analysis undertaken by our credit analysts, they assess ESG risks and are also responsible for ongoing engagement with issuers.
• Continuing to develop and document processes for responsible investment integration within liability risk management strategies.
• Engagement with the UK DMO and Treasury, and other government issuers where possible, on green bond issuance.
• Engagement with clients and their advisors about appropriate allocation of green gilts in mandates.
• Working with clients and their advisors on the potential use of total return swaps on ESG-screen equity indices within tailored solutions.
• Analysis on suitable climate metrics for gilts.

For 2022, the Group will focus on:
• Enhancing internal and external communication of our approach to ESG risk management in counterparty selection and our framework for ongoing engagement with counterparties.
• Supporting the review by Insight of the first annual allocation report of green gilts and helping with communication to colleagues and clients as required.
• Supporting Insight’s engagement with the UK DMO and Treasury, and other government issuers where possible, on green bond issuance.
• Making better use of detailed information within our sovereign Prime ESG analysis.
• Working with other groups to consider appropriate engagement model for sovereign issuers, with a particular focus on the UK government and climate.
• Assessing real-world implications of decisions made within liability hedging strategies.
• Developing our thinking and action in relation non-GBP solutions.

With regard to the management of derivative exposures and relationships with counterparties, our Counterparty Credit Committee (CCC), chaired by Insight’s Chief Risk Officer (CRO), ensures Insight exercises due care and diligence in the selection and monitoring of counterparties with whom we will deal with as an agent. A key facet of this is to monitor closely the creditworthiness and business strategies of such counterparties, which involves regular face-to-face meetings between the bank management teams and Insight’s credit analysts, Insight’s senior legal staff and where appropriate, members of Insight’s EMC.

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

More information on how ESG research and analysis is integrated within our investment processes is available in the section focusing on Principle 7.

Responsible Investment Team
Insight has had resources dedicated to its responsible investment efforts for many years. Insight’s dedicated Responsible Investment Team is led by Robert Sawbridge (Head of Responsible Investment) and supported by Joshua Kendall (Head of Responsible Investment Research and Stewardship). Both Robert and Joshua are embedded within Insight’s investment management team, and report 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. Such solutions are subject to discussion and approval by dedicated fixed income implementation groups, whose members consist of investment desk heads, for the various asset classes in which we invest.

• Joshua Kendall, as Head of Responsible Investment Research and Stewardship, supports Robert in ESG integration activity with a specific focus on Insight’s stewardship programme. Joshua has responsibility, along with our Corporate Risk Team, for managing the scope, procedures and documentation for our internal responsible investment governance activities, ensuring they are codified and structured to support effective decision-making, improve accountability and ensure transparency. Such documentation is reviewed and approved by the IROC. Additionally, Joshua ensures that research and engagement is conducted on a consistent basis, across all asset classes, by all investment professionals.
• Rhona Cormack, Senior Stewardship Analyst, is responsible for setting the engagement strategy for Insight, including the identification of Insight’s prioritised ESG themes. Additionally, Rhona leads 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, Joshua and Rhona, a team of ESG Quantitative Researchers, ESG Analysts and an ESG Investment Specialist work to directly support Insight’s responsible investment efforts. The ESG Quantitative Researchers are responsible for the development and management of our ESG data and proprietary ratings. The ESG Analysts are responsible for ESG projects and supporting the team with operational aspects of our ESG processes and stewardship. The ESG Investment Specialist supports the delivery of strategic responsible investment projects and is responsible for engaging with clients on responsible investment matters.

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 also 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 CFA designations. Our parent company also has an optional ESG Certification Program available to its affiliate entities. For 2022, Insight’s formal internal training programme will cover topics related to responsible investment including stewardship. This builds on our extensive training initiatives to ensure our staff are trained in areas relevant to their roles, and also provides extensive opportunities for further development in areas relevant to responsible investment and stewardship. We will conduct compulsory training by subject matter experts for specialists directly integrating ESG factors within their work and decisions.

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

Finally, we are expanding the available options for external training in relevant areas for staff. These include the Sustainable Finance online course from the Cambridge Institute for Sustainability Leadership.

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

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

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

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

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

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

- Insight’s portfolio managers have one and three-year performance objectives to align their activity to a suitable time horizon, with ESG objectives customised to reflect their specific activities. Portfolio managers responsible for dedicated ESG strategies or mandates with client-specified ESG criteria will also have a formal objective in their review. The outcome of the performance appraisal is linked closely to any discretionary compensation element.

- For our credit analysts, we have formally integrated the analysis of ESG factors into their work for over a decade, and we continually consider ways to further enhance and build on our approach. In 2016, we reinforced this integration, linking our credit analysts’ annual performance appraisal with their analysis of relevant ESG risks in their research. Insight’s credit analysts have specific ESG-related (including stewardship) objectives, accounting for a 10%-20% weighting of their annual objectives. Consequentially, such employees are incentivised to actively prioritise ESG in their investment decision-making or manage portfolios that align with the concept of stewardship bring sustainable benefits for the economy, environment and society.

For 2021, the weightings of ESG-specific performance objectives were increased, and we formally introduced a requirement for our credit analysts 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. This process will be repeated for 2022.

In 2021, ESG-specific performance objectives were updated and now stand as follows:

**ESG objectives for Insight credit analysts in 2021 (10-20%):**
- Evidence you have reviewed critically ESG risks faced by issuers.
- Ensure ESG ratings are noted and commented on as follows:
  - All ’5’ ratings (the worst possible in the Prime corporate ESG ratings framework) are commented on and explained.
  - All new issuers/new positions commented on regardless of ESG scores being strong/weak.
- Undertake company-specific deep dive engagements as agreed with the Head of Credit Analysis.

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

LTIP awards typically vest after three years and their value is based on an independent external assessment of Insight’s market value. Share-based LTIP is awarded as non-voting, non-dividend paying equity in Insight. For our senior management, investment desk heads and material risk-takers, we operate a deferral policy where a substantial proportion of variable pay is deferred through LTIP. In the UK, our employees also have an opportunity to acquire Insight shares from their pre-taxed salary.
3

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

Overview of response to Principle 3

<table>
<thead>
<tr>
<th>Key statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Context</td>
</tr>
<tr>
<td>• We disclose Insight’s conflicts policy and how this has been applied to stewardship, detailing our activities in the following areas:</td>
</tr>
<tr>
<td>• Identification of conflicts</td>
</tr>
<tr>
<td>• Conflicts of interest framework</td>
</tr>
<tr>
<td>• Conflicts of Interest Policy</td>
</tr>
<tr>
<td>• Conflicts register</td>
</tr>
<tr>
<td>• Controls to mitigate individual conflicts</td>
</tr>
<tr>
<td>• Training</td>
</tr>
<tr>
<td>• Monitoring and surveillance</td>
</tr>
<tr>
<td>• Proxy Voting Policy</td>
</tr>
<tr>
<td>Activity/Outcome</td>
</tr>
<tr>
<td>• We explain how Insight has identified, managed and addressed instances of actual or potential conflicts, including those related to stewardship.</td>
</tr>
<tr>
<td>• In our response we explain a new potential conflict identified and addressed in 2021.</td>
</tr>
</tbody>
</table>
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 FCA (UK), Central Bank of Ireland (Ireland), Securities and Exchange Commission (SEC) (US), and other principal bodies that oversee our activities. Where potential conflicts arise, Insight will not enter into a transaction until it has ensured the fair treatment for all clients.
Key elements of Insight’s conflicts framework include our:

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

We provide more information on each of these elements below.

**CONFLICTS OF INTEREST POLICY**

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

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

**Potential conflicts scenarios and mitigation procedures: an overview**

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

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

**CONFLICTS REGISTER**

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

The UK/European Union (EU) register covers both ‘structural’ and ‘specific’ conflicts, with c.60 conflicts currently on the register:

- **Structural conflicts** – represent an inherent conflict in Insight’s business model based on the broad activities we undertake (which will be similar across most asset managers)
- **Specific conflicts** – represent a conflict which is based around specific funds/clients/processes and for which specific mitigating arrangements/controls have been put in place

Register details include:

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

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

**CONTROLS TO MITIGATE INDIVIDUAL CONFLICTS**

A number of 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 the section focusing on Principle 5 for more information on our Global Outsourcing and Vendor Management Policy, including the ESG criteria which are applied to our suppliers.
- Use of third-party counterparties/external panel in place to resolve issues: this applies in situations where repos exist between an Insight fund and Insight segregated clients.
Policies and procedures are in place to ensure employees’ interests are not put before insight/client interests (please see earlier in this section).

**TRAINING**

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

**MONITORING AND SURVEILLANCE**

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

Our approach and framework to manage conflicts of interest is reviewed by an independent auditor as part of our annual service organisation control (SOC) audit. More information is available in the section focusing on Principle 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 the section focusing on Principle 12.

Insight’s full Proxy Voting Policy, updated for early 2022, 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
- material differences in the thoughts of two PM’s who own the same security
- benefit if it puts the interest of one Client over the interests of another Client
- gain an interest from a service provided to, or transaction carried out on behalf of a Client which may not be in, or which may be different from, the Client’s interest
- obtain a higher than usual benefit from a third party in relation to a service provided to the Client
- receive an inducement in relation to a service provided to the Client, in the form of monies, goods or services other than standard commission or fee for that service or
- have a personal interest that could be seen to conflict with their duties at Insight
- creates 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.
- creates a conflict between investment teams with fixed income holdings in publicly listed firms or material differences in the thoughts of two PM’s who own the same security

In situations where there is a conflict of interest or perceived conflict of interest that creates a contentious voting issue, as determined by the chair of the PVG, the issue will be escalated to the PVG. A contentious voting issue is a voting decision which would have a detrimental impact to Clients or Insight’s reputation. All conflicts are handled in line with the Insight Conflicts of Interest Policy.
3.2 ACTIVITY/O U T C O M E

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

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

Examples of stewardship-related conflicts and mitigation

We identified the potential structural conflict below in 2021, reflected in our conflicts register.

- **Side-by-side management:** Insight could favour one client consistently over another in the performance of its duties which includes the following situation:
  - Clients with publicly listed securities: 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.
  - To mitigate the conflict, portfolios are managed in line with the investment objectives and benchmarks as agreed with the clients (e.g., the portfolio manager managing buy and maintain client mandates may take directionally different views on the same security compared to active mandates (long vs short (CDS)) in order to maintain adherence to the client objectives. In addition, the Investment Management Group (IMG) provides oversight of all investment management portfolios and performance. Dealing in a security will commonly be undertaken across a range of funds and segregated mandates with similar characteristics and investment objectives. This contributes to Insight’s objective to minimise the dispersion of fund performance to establish a level of consistency and reduce the probability of the conflict arising. Research is also shared across teams and trades are aggregated in line with the Aggregation and Allocation Policy.

  - The conflict is monitored and tracked through the following forms of management information (MI):
    - IMG performance data identifies dispersion between accounts.
    - The Trading Oversight Committee (TOC) monitors non-standard allocations and price deviations using tolerances set within the Transaction Cost Analysis (TCA) tool. TOC also monitors non-standard allocations and trades executed outside tolerance for any deviations in price away from benchmark price. These are escalated to the IMG.
    - The Compliance Team reviews non-standard allocations and best execution as part of monthly surveillance testing. MI is included in reporting materials to the TOC. In addition, the conflict is also monitored in pre-trade allocation reviews for primary markets.
    - If a specific conflict that falls under this area emerged, which affected specific clients, further steps could be taken to prevent or manage the conflict in accordance with the Conflicts of Interest Policy.
4

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

Overview of response to Principle 4

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 2021 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
  - Biodiversity and natural capital
  - European Market Infrastructure Regulation (EMIR) and general central clearing issues
  - Post-Brexit regulatory review of UK financial services
  - ESG disclosures and transparency
  - Specific European regulatory issues
- In terms of our effectiveness in promoting well-functioning markets, we believe our engagement on these issues has led to material change and had clear, measurable impacts.
4.1 CONTEXT

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

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

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

For a range of past communications and policy responses from Insight, please see here.

HOW INSIGHT IDENTIFIES MARKET-WIDE AND SYSTEMIC RISKS FOR ENGAGEMENT

1 Identification of potential risks: Several teams within Insight monitor sources of potential risks, with a focus on identifying significant changes that may impact Insight as a firm, the functioning of financial markets, and the services we offer to our clients.
- Regulatory developments are monitored by our Compliance Team.
- Policy developments related to topics on which we are engaging, and any topics of strategic importance, are monitored by our Market and Regulatory Reform function.
- Investment risks are monitored by our Investment Risk Team. Insight operates tools, overseen by stringent policies and procedures, that test the impact of market, liquidity, counterparty and concentration risk on holdings across the firm. Our Investment Risk Team ensures that Insight is not unduly exposed to any material unmanaged risks, including market-wide and systemic risks.
- ESG risks and opportunities to engage are monitored by our Responsible Investment Team. Details of our proprietary scoring methods, and our new engagement programme, are offered in the section focusing on Principle 7.

Sources of information include regulator alerts, trade associations, law firms, service providers, 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 Market and Regulatory Reform 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 on a monthly basis to Insight’s EMC. A Programme Mandatory Steering Committee is responsible for overseeing regulatory change projects, and the Compliance Team report new key regulatory developments and status and issues on existing ones to Governance Committees including the Risk Management Group (RMG) and the Board 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 the section focusing on Principle 2 for more information on our internal governance structure.

5 Reporting to external stakeholders: Relevant activity is shared on a quarterly basis with clients and consultants.

On any initiatives relevant to our clients, our Client Solutions Group and specialist Legal Team will communicate these to clients, and seek to assist our clients in ensuring they are well positioned in light of any market-wide and systemic risks we identify that may impact them.

For 2022, we have established a group that organises our firm activity and make decisions on issues on which to advocate on behalf of our clients, identifying workstreams on key issues. More information is provided at the end of this section.
4.2 ACTIVITY/OUTCOMES

INSIGHT REGULARLY COLLABORATES WITH CLIENTS, REGULATORS AND OTHER MARKET PARTICIPANTS TO BUILD FAIR, TRANSPARENT AND LIQUID MARKETS. 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 well-functioning markets, we believe our engagement on these issues has led to material change and had clear, measurable impacts.

CLIMATE CHANGE

Background

Climate change is one of the greatest challenges of our time, with significant implications for investors, including our pension scheme clients. Governments and businesses are grappling with the implications, and responsible investors seek to discern how climate change might affect investment risks and opportunities.

There has been a growing awareness of the science behind climate change and the risks it poses to companies. Expectations have also been raised by companies being required to report climate-related data and the stated intention of governments to focus pandemic financial aid on a green recovery.

In 2021, the UK government issued ‘green gilts’ for the first time, and new consultations opened on proposals for new UK regulations on climate-related financial disclosures for asset managers and asset owners.

Insight activity and outcomes

Insight takes climate risk into account within its investment decisions and engagements (see sections focusing on Principles 7 and 9), and participates in a range of collaborative initiatives focusing on climate change (see section focusing on Principle 10).

Specific areas in which Insight took action include:

- **Green gilts**: We engaged with the UK DMO on its proposals for green gilt issuance in 2020 and 2021, ahead of its first issuance in September 2021 and second issuance in October 2021. We believe this engagement was constructive and the issuance was ultimately well received, broadly fulfilling our expectations for sustainable issuance and meeting with strong demand in the market. We kept our clients well informed ahead of the issuance and provided detailed updates afterwards.

- **TCFD update**: We provided a response to the consultation by the TCFD on updating its 2017 recommendations. We will publish a TCFD report for Insight in 2022.

- **UK climate disclosure proposals for asset owners and asset managers**: The FCA issued a consultation on climate-related disclosures by asset managers and asset owners, which largely followed the recommendations of the TCFD. We were supportive of this initiative and our response encouraged a pragmatic approach to implementation, while appreciating the urgency of the issue. In particular, we highlighted issues around data gaps; encouraged further alignment with rules from the Department of Work and Pensions (DWP); encouraged greater global co-ordination; suggested taking a more granular approach, recognising the challenges and relevance for some asset classes; and encouraged new TCFD standards on additional metrics and scenario analysis to be further developed before they are mandated by regulators. As well as submitting our own response, we worked with trade associations including the Investment Association (IA), International Capital Market Association (ICMA) and Pensions and Lifetime Savings Association (PLSA).

Outcome: We were successful in encouraging the support of industry bodies for our key messages, including approaches to handle data gaps and on the challenges and relevance for some asset classes. We were pleased that the final outcome from the FCA in its policy statement following this consultation appears to reflect some of our key points.

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2 First issuance of green gilts, 22 September 2021; Second issuance of green gilts, 22 October 2021; Your questions answered on green gilts, 24 November 2021.
3 CP21/17: Enhancing climate-related disclosures by asset managers, life insurers, and FCA regulated pension providers, June 2021.
4 PS21/24: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers, 17 December 2021.
• **UK climate alignment and stewardship proposals for pension schemes:** The DWP opened a consultation on extending the climate-related rules for pension schemes to include portfolio alignment metrics and improved stewardship goals. In general, we are supportive of the proposal for pension schemes to report the extent to which their investments are aligned with the Paris Agreement target. However, given the variability of data quality alongside other issues, we believe mandating this from October 2022 is too soon, and proposed the implementation date is delayed to October 2023. Insight submitted a response and engaged with trade associations on the proposals. Insight engaged with the IA and PLSA on this consultation.

**Outcome:** Insight was successful in ensuring that we were aligned with industry bodies on the key messaging, and helped to develop their responses, particularly on the issue around timing of any mandatory reporting. The outcome of the consultation remains pending.

### BIODIVERSITY AND NATURAL CAPITAL

**Background**

The unsustainable depletion of biodiversity is an environmental risk which significantly impacts companies and society, and significant potential implications for long-term investors.

Biodiversity is a type of natural capital that forms part of an ecosystem, which in turn provides ‘ecosystem services’ that deliver value and benefits to people and companies. Governments and businesses are grappling with the implications of global biodiversity loss from human activities, which is exacerbated by the interlinkages between biodiversity, ecosystem quality, climate change and the value that the environment provides.

Attention on biodiversity is increasing, as there is a growing awareness of the impact that some companies have on natural capital, in addition to the potential risks that companies face from the depletion of biodiversity. This has led responsible investors to increasingly turn their attention to the biodiversity risks and impacts of their investments.

We expect increasing regulation for nature-related disclosures of investments, increasing expectations for companies to report on biodiversity-related data and an increasing focus from responsible investors on the topic of biodiversity alongside climate change.

**Insight activity and outcome**

Insight has recognised biodiversity as a critical issue, but one which lacks robust data that can be used to support investment decision-making. To explore the issue of biodiversity in more detail, we conducted a research project in 2021 to develop a framework for considering natural capital risk in corporate bonds. The research was based on a three-stage process, including an industry-level materiality assessment, geospatial mapping, and mitigation analysis.

We concluded that there are challenges in effectively deciphering the natural capital risk associated with companies. There is currently no single, universally accepted metric or set of metrics to measure a company’s exposure to natural capital changes and it will likely be some time until this is developed. We are considering biodiversity-focused initiatives which aim to support action on biodiversity and seek to improve the availability of data to measure natural capital risk.

Following our natural capital research, we will be applying our natural capital risk framework to assess water risk during 2022 and will use the output to drive our thematic engagement programme for this topic. This will ensure that the companies which are most at risk will be targeted for engagement.

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9Climate and investment reporting: setting expectations and empowering savers, 21 October 2021.
EMIR AND GENERAL CENTRAL CLEARING ISSUES

Background
The introduction and implementation of central clearing for derivatives under the EMIR has significant implications, particularly for pension schemes in the UK and Europe, which account for the majority of Insight’s AUM.

A significant implication of central clearing would be the need for pension schemes to provide cash to collateralise cleared derivatives. Analysis by Europe Economics and Bourse Consult for the European Commission estimates that if European pension schemes were required to post variation margin in cash, the total cash collateral needed by them to support a 100bp (1%) move in rates would amount to approximately €205 billion to €255 billion, increasing to €420 billion in more stressed scenarios. It further estimates that this would cost European pensioners between €2.3 billion and €4.7 billion annually. This would be a significant and disproportionate cost to European pensioners.

For this and other reasons, European pension schemes have been granted a temporary exemption from clearing for some years, but regulators and policymakers continue to explore solutions to resolve these issues. Included in this discussion has been the role that repo markets should play, and whether they can always be relied upon in stressed conditions.

Insight activity and outcome
Insight has engaged on this issue for many years, and this engagement continued in 2021.

Insight firmly supports the principles behind central clearing and has made significant investments into clearing-related infrastructure. However, we have worked to highlight important factors which regulatory bodies need to consider and address before European pension schemes are required to clear. Given these issues, we advocated for the original exemption for pension scheme arrangements from clearing, to prevent market dislocations and ensure the needs of pension schemes are met.

In 2021 we continued to represent our pension scheme clients’ interests in this area and highlight client clearing issues that remain important to our clients:

- Insight continued to participate in the European Commission’s pension fund stakeholder group meeting, and continued to lead discussions within the industry on these issues.
- Insight proactively highlighted that the EU pension fund exemption must be extended before the exemption expired in June 2021. We were quick to identify this issue and highlighted it to several industry associations to ensure that policymakers were made aware of this issue from a wide range of stakeholders. Subsequently the European Commission adopted a fast-track approach to ensure this took place.
- Insight joined an ESMA open hearing on CCP pro-cyclicality issues and raised important points to European and international policymakers.
- Insight responded to a consultation by BCBS/IOSCO on margin practices for derivatives and we successfully influenced trade association responses. The outcome of the consultation is pending.

POST-BREXIT REGULATORY REVIEW OF UK FINANCIAL SERVICES

Background
Financial regulations in the UK are under review after Brexit. The UK Treasury opened a consultation on the topic in October 2020, and Chancellor Rishi Sunak set out his approach to financial services regulation in November 2021 alongside a new consultation on specific proposals “for adapting the UK regulatory framework for financial services to ensure that it remains fit for the future, and to reflect our new position outside the EU”.

As most of Insight’s AUM is managed for clients within the UK, we believe it is critical for Insight to engage on these issues.

Insight activity and outcome
Insight engaged on a number of issues with regard to post-Brexit UK financial regulations to represent our clients’ interests. For most of these issues, work is ongoing, and the outcome is therefore still to be seen.

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10 Baseline report on solutions for the posting of non-cash collateral to central counterparties by pension scheme arrangements: a report for the European Commission prepared by Europe Economics and Bourse Consult. Short version of the full document can be found here.
12 ESMA organises second workshop on “CCP margins and pro-cyclicality in times of crisis”, 8 June 2021.
13 Review of margining practices: Consultative report by the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO), 26 October 2021.
The UK Treasury launched a consultation on the UK fund regime. Insight was supportive of the UK adopting a more competitive regime which could form a credible alternative to other regimes. We identified the three most important areas to change as being (i) the need to address VAT and asset-level taxation within UK-domiciled funds, (ii) the need to overhaul platform design and infrastructure, and (iii) the need to make the regulatory process and speed to market competitive relative to offshore regimes. As a result of our engagement, the IA supported our proposals to enhance the existing Qualified Investor Scheme (QIS) regime that exists. We also engaged directly with the Treasury through in-depth bilateral discussions on the UK fund regime and our response.

**Outcome:** We are pleased that the Treasury, in its response to the consultation on the UK fund regime, recognised many of the issues we highlighted with it and the wider industry. For example, the Treasury recognised the following:

- A review was needed of the genuine diversity of ownership (GDO) condition which prevents the single-investor funds being tax efficient in the UK
- Further consideration was needed of the general tax efficiency of the UK fund regime, including a review of the VAT regime, about which they have committed to launching a consultation
- Work is needed to permit the distribution of capital by authorised funds
- The QIS regime could be improved, an issue which has been passed to the FCA for consideration

The UK Treasury called for evidence on UK securitisation regulation. Insight highlighted a number of points including possible efficiency, the benefits of EU and UK securitisation regulations staying aligned and ambiguity around the scope of the regulation’s requirements.

**Outcome:** The Treasury’s response reflected the key issues raised in Insight’s response.

**Other initiatives:** Insight responded to, and/or engaged with trade associations on a number of issues regulatory work which looked to analyse existing rules transposes from EU regulation. These included the UK’s wholesale markets review, changes to MiFID Rules, and the Future Regulatory Framework proposals (mentioned above) where we worked closely with the IA to reflect our view on all three topics.

**ESG DISCLOSURES AND TRANSPARENCY**

**Background**

New regulations are being proposed encouraging greater transparency on ESG issues, including but not limited to climate change-related factors. The EU has taken the lead, but other jurisdictions are proposing similar regulations. We expect most of our clients to be directly affected by these regulations. Greater transparency is also needed in the secured finance market, in our view, where disclosure standards lag behind the corporate bond market.

**Insight activity and outcome**

Insight has engaged on and supported clients in preparing for and fulfilling various requirements. In 2021, we responded to two proposals from the UK and US focusing on different aspects of sustainability and ESG disclosures. We also initiated a collaborative initiative to drive progress on ESG disclosures in secured finance.

- **UK Sustainability Disclosure Regulation:** The UK FCA issued a discussion paper on sustainability disclosures for investment products. Insight submitted a response and engaged with industry associations to influence their submissions. We broadly support the proposals, with key themes in our response including the need for an additional label for strategies pursuing activity related to sustainability factors, for which none of the proposed labels apply; the importance of being able to map labels easily to the labels under the EU’s SFDR; that some asset classes should be out of scope given the lack of relevant data or relevance; and we cautioned against the use mandatory use of proxy data and scenario analysis.

**Outcome:** We influenced discussions with the relevant industry association and BNY Mellon on their responses. The outcome of this consultation is pending.

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19 Securitisation Regulation: Call for Evidence, 24 June 2021.
22 PS21/20: Changes to UK MiFID’s conduct and organisational requirements, 30 November 2021.
• **US proposals for ESG disclosures:** The US Department of Labour (DOL) issued a proposed rule in late 2021 that would allow pension plans to incorporate analysis of climate change and ESG risks in their investment decisions. In our letter to the DOL, Insight expressed support for the proposals, and stated that “we believe taking ESG risks into account within investment decisions is appropriate and in line with widely agreed standards for good stewardship”. We also welcomed the explicit provision of broad discretion for pension plan fiduciaries to consider climate change and other ESG factors in evaluating and selecting investments, when material to their risk-return analysis, is welcome. However, we highlighted that in our discussions with pension plans, some plans have expressed concerns that the proposals may be subject to further change in future, resulting from political changes that may significantly alter the government’s stance on how ESG matters are incorporated in investment decisions. This may lead plan fiduciaries to exercise undue caution in taking account of these rules.

**Outcome:** The final rules are pending.

• **Driving progress on ESG disclosures in the secured finance market:** The challenges with regard to ESG data in the secured finance asset class (see the section focusing on Principle 7 for more details) led us to raise the issue with the Asset Management and Investors Council (AMIC) at ICMA. We proposed a joint initiative with other major global asset managers to urge the development of key performance indicators on ESG issues, and engagement with local regulators on these topics.

**Outcome:** An initiative focusing on this issue was announced in March 2021.

We also collaborated on other initiatives with relevance to ESG disclosures and transparency. See the section focusing on Principle 10 for more information.

**SPECIFIC EUROPEAN REGULATORY ISSUES**

We are engaging on a wide range of industry issues relating to regulation from Europe, each of which could have significant implications for markets and our clients, potentially introducing risks or affecting how investments are managed. We outline a selection of our other engagements below.

• **AIFMD review:** In late 2020, the European Commission launched a consultation on the Alternative Investment Fund Managers Directive (AIFMD), which included questions relating to harmonisation of the AIFMD and UCITS (Undertakings for the Collective Investment in Transferable Securities) regimes. We submitted a response in early 2021, and worked closely with trade associations on collective responses.

**Outcome:** The European Commission released proposals for legislative change in Q4 2021, which takes into account some of our proposals and those of the wider industry. This covers areas including more details around the delegation of portfolio management to third countries, largely mirroring the Irish regulatory regime under which Insight operates in part; proposed rules for new loan origination alternative investment funds (AIFs); and liquidity management provisions for AIFs and UCITS funds. We remain close to these issues and are actively involved in influencing industry and policy positions on these important topics.

• **Central Securities Depository Regulation (CSDR):** We have been working with trade bodies to highlight that mandatory buy-in provision is expected to negatively impact liquidity in the bond markets and that these rules should not go live in February 2022. We have been working closely with the European Fund and Asset Management Association (EFAMA) to engage on this topic including letters to EU policymakers.

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26 Insight Investment response to ESG DOL proposal, 1 December 2021.
Outcome: We are pleased that this has resulted in policymakers confirming that these rules will be suspended for the February 2022 original go-live date28.

• EU securitisation review: The EU opened a consultation on its securitisation framework in July 202129. Insight submitted a response to this consultation, highlighting similar issues as in the section focusing on the UK securitisation regulation (see above), including on the ambiguity of the geographical scope of the regulation.

Outcome: The outcome is pending.

• ESMA consultation on money market fund regulation: The European Securities and Markets Authority (ESMA) launched a consultation on potential reforms of the EU Money Market Funds Regulation, in light of the “stress experienced by money market funds (MMFs) during the March 2020 crisis”30. Insight submitted a response and worked closely with trade associations to get key messages across, including our strong support for de-coupling regulatory liquidity thresholds from suspension and gate requirements – in March 2020 events, we observed that some asset managers were selling assets not driven by investor redemptions, but to boost liquidity buffers. We think decoupling the thresholds from suspension/gates would reduce such behaviours.

Outcome: We are pleased that ESMA recommended decoupling liquidity triggers from gates and fees. However, other work and policy discussions continue on MMF reform.

• MMFs and cleared repo haircut issue: The success of EU-domiciled MMFs depends on the depth and breadth of the funding market to which they have access to. As part of this, many EU MMFs enter into government bond reverse repo transactions, including cleared reverse repo transactions, to earn a return on the cash they have available. This is an important role that EU MMFs provide in their capacity as cash and liquidity providers, particularly in times of stress. However, post Brexit, EU MMFs can no longer enter into cleared gilt reverse repo transactions with UK clearing house LCH Ltd without a haircut being applied – because the EU securitisation regulation requires EU MMFs to apply a haircut to assets received under a cleared reverse repo transaction, unless the central counterparty is ‘authorised’ under EMIR. This does not include third-country central counterparties that are ‘recognised’ under EMIR, such as LCH Ltd. Since EU-domiciled central counterparties do not offer adequate liquidity for non-euro denominated repo and reverse repo transactions, there is a strong desire for EU MMFs to transact with third-country central counterparties for non-euro reverse repo transactions, but the requirement to apply haircuts in such instances prevents these trades from taking place and instead encourages the use of bilateral trades. We believe access to cleared liquidity pools increases EU MMFs’ operational investment resilience, and further strengthens their role as cash and liquidity providers in the EU market.

Outcome: We submitted a working paper to the European Commission to highlight this issue, which could be resolved through a change in the relevant delegated regulation. We are in ongoing discussions with asset managers, clearing member banks and other market participants to form an industry view on the issue.

The EU opened a consultation on its securitisation framework in July 2021. Insight submitted a response to this consultation, highlighting similar issues as in the section focusing on the UK securitisation regulation, including on the ambiguity of the geographical scope of the regulation.
NEW FOR 2022: INITIATIVES TO INCREASE OUR EFFECTIVENESS IN PROMOTING WELL-FUNCTIONING MARKETS

Identifying future risks in key areas
To organise our firm activity and make decisions on issues on which to advocate on behalf of our clients, we have established a team including our CEO, Head of Responsible Investment, members of our investment teams and our Market and Regulatory Reform function to identify key topics and governmental policies in development which are relevant to our clients’ interests and our investment activities.

Workstreams identified will each be mandated to explore the themes identified in further detail, to be linked to client and regulatory engagement activity and communications, and to take into account the potential impact on clients.

Areas already being explored for 2022 include the following:
- development of derivative and repo regulation
- evolution of engagement in sovereign markets
- implications of fiduciary responsibility
- ESG-related issues applying to US municipal bonds
- development of themes within secured finance and ABS

New engagement programmes for engaging on key issues
We developed a programme of thematic and counterparty engagements for initiation in 2022, which cover a range of broad themes and aim to support well-functioning markets.

For thematic engagement, we have prioritised themes to ensure we are consistently addressing key issues through our engagement activity with issuers – namely climate change, water management, and diversity and inclusion.

Our counterparty engagement programme will aim to achieve a greater level of impact in our engagements with relevant entities.

More information on these initiatives is provided in the section focusing on Principle 9.

Reducing the risk of harm to beneficiaries and strengthening market integrity
Insight has been strengthening its operational resilience and has implemented a new framework in line with the FCA’s new Operational Resilience requirements. This to further reduce the risk of harm to beneficiaries and strengthen market integrity by continuing to build upon existing risk management, business continuity, crisis management and disaster recovery frameworks.

Looking forward, we have created a new role as Head of Operational Resilience and this role will be responsible for defining and implementing all the supporting processes and controls required to ensure compliance with Insight’s Operational Resilience Policy and relevant regulatory requirements.
5 REVIEW AND ASSURANCE
Overview of Insight’s response to Principle 5

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, commercial development and communications activities, and CSR programmes.
- There are dedicated internal groups that meet regularly to discuss stewardship and responsible investment themes.

Activity/Outcome

- In this section we explain the rationale for our chosen approach, and outline our activity with regard to reviewing policies and processes to assure their effectiveness and where we can improve, covering:
  - **How Insight reviews policies to ensure they enable effective stewardship**: We reviewed our ESG policy framework in 2021 to align with a new BNY Mellon Responsible Investment Control Framework Policy. These apply across our risk management (LDI), fixed income, and other strategies.
  - **Assurance received in relation to stewardship**: We conducted internal Compliance-led reviews to determine gaps in our implementation of the BNY Mellon responsible investment policy. This led to new processes and initiatives for our investment and marketing teams. From 2022, BNY Mellon audits of Insight investment teams will formally include ESG matters, and an external auditor has been appointed to conduct a readiness assessment of Insight’s stewardship and responsible investment-related activities.
    More information on Insight’s internal and external risk management process framework is provided at the end of this response to Principle 5.
  - **Stewardship reporting: how we ensure it is fair, balanced and reasonable**: For our stewardship reporting, whether for our risk management (LDI), fixed income, or other strategies, we broadly seek to take the following steps:
    1. Understand our clients’ reporting needs
    2. Generate relevant reporting in a clear and relevant format
    3. Review reporting (both the data and the format) internally
    4. Provide reporting to the client and their advisers, seeking feedback on whether and how it aligns to their needs
    In 2021 we introduced climate (TCFD) disclosure templates to meet clients’ transparency 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 THE SECTION FOCUSING ON PRINCIPLE 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, commercial development and communications activities, and CSR programmes.

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 Sovereign groups (see the section focusing on Principle 2 for more information). A new Ratings and Exclusions Group (REG) was introduced in 2021.

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, RMG 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.

Over the course of 2021 we introduced and updated numerous responsible investment policies, including:

- Our Stewardship and Engagement Policy and Procedural Document, which covers our commitments to the following:
  1. We will engage with companies through the lifecycle of our credit investments
  2. Our investment teams have responsibility for engagement
  3. We collaborate with other investors on sustainability issues
  4. Our stewardship activity extends to originators and counterparties
  5. We ensure corporate engagement activity is tracked
  6. We ensure the regular internal monitoring of corporate stewardship activity
  7. We escalate stewardship activities with companies
  8. We ensure we vote transparently
  9. We ensure we are transparent on our stewardship activity
  10. We manage stewardship conflicts of interest
Our Environment Policy, which outlines Insight’s approach to environmental matters as a business and within investment strategy. This policy can be found in full in Appendix III. Other relevant policies include our Weapons Policy and Proxy Voting Policy (see Principle 12 for more information on the latter).

In 2021, we began developing a Thermal Coal Policy and this will be finalised and approved by IROC for publication in 2022.

Processes and policies relevant to stewardship and our trading counterparties are implemented by Insight’s CCC, chaired by Insight’s CRO. More information on the CCC is available in the section focusing on Principle 7.

As detailed in the section focusing on Principle 2, we have continued to enhance our approach as we seek to implement and push forward best practice in responsible investment management.

• In 2021, we improved and enhanced our governance structure by broadening the number of internal groups focusing on responsible investment, such as data.
• Additionally, we introduced methodology documents for our Prime ESG ratings, such as corporate and sovereign ratings.

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.

ESG policy framework enhancements

In anticipation of forthcoming regulatory reform from Insight’s financial regulators including the Central Bank of Ireland, (CBI), US SEC, UK FCA and the European Commission, Insight undertook a thorough review of its ESG policy framework in 2021. Some examples of the resulting updates that have been initiated as follows:

• making enhancements to the operating protocols of our investment governance forums relating to the oversight and accountability for all ESG related activities and engagement within Insight
• making enhancements and additions to the management information provided to IROC
• introducing an enhanced assessment and adherence framework relating to external ESG networks in which Insight participates and/or to whom Insight is a signatory
• making further enhancements to existing frameworks relating to the following:
  – Insight’s framework for review and use of external data sources for internal research purposes, as part of Insight’s continual focus on ensuring the integrity and resilience of data used to inform investment decisions.
  – Refining internal documentation, reporting to Insight’s Investment Management Group, relating to responsible investment process and ESG-related investment decision making, as well as Insight’s Prime corporate ESG, sovereign ESG and climate risk ratings.
  – Refining internal documentation, reporting to Insight’s Operations Management Group, relating to monitoring of the review of restrictions and coding as ESG product ranges evolve.
  – Finalising individual policies on stewardship, engagement 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.

ASSURANCE RECEIVED IN RELATION TO STEWARDSHIP

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 2021, the Compliance Team continued to:

• Review and approve marketing literature, including material related to ESG and stewardship activities
• Enhance marketing review processes and guidance, including ESG and stewardship claims
• Review and maintenance of Insight’s conflicts register
• Provide representation on Insight’s Proxy Voting Group and advise on proxy related matters where required.
• Review some key elements of Insight’s ESG and stewardship process and controls.

In Q4 2021, our Compliance Team conducted a monitoring review of activities related to ESG including engagement processes and programme, some financial promotions/marketing material and the ESG rating process.
Internal audit
Typically, each area within Insight is audited every two years. An audit of the Financial Solutions Group (which manages Insight’s risk management and LDI assets) occurred in 2021 and resulted in a ‘satisfactory’ rating (the best outcome possible under the process). The audit covered issues including:
• Quantitative analysis
• Fund management and investment implementation
• Derivatives execution
• Investment guidelines coding and mandate compliance
• Performance measurement and reporting
• Insight-wide Business Continuity Planning
• Risk and Control Self-Assessment (RCSA)
Other audits in 2021 covered the Client Solutions Group, Technology, Distribution and Product Strategy, Insight Management Companies, Efficient Beta and Stable Value. These all resulted in ‘satisfactory’ ratings (the best outcome possible).

New for 2022
Reflecting on the performance of our controls, and recognising an opportunity to set increasingly high standards, Insight has sought to ensure extensive internal reviews that, where appropriate, also take account of specific stewardship and responsible investment-related issues.

In 2022, planned audits will cover departments including Trading, UK Fixed Income, Operations, HR/Legal/Finance, Technology, and North America Portfolio Management. The Trading and UK Fixed Income audits will incorporate an assessment of ESG factors.

In Q3 2022, our Compliance Team will conduct a monitoring review of activities related to ESG factors, focusing on areas including investment guidelines, financial promotions/marketing material and communications to clients. In addition, Insight is included in several horizontal reviews which are conducted by BNY Mellon’s Group Internal Audit. Horizontal reviews extend across the entirety of BNY Mellon’s EMEA asset management area or the BNY Mellon corporate group. From 2022, BNY Mellon audits of Insight investment teams will formally include ESG matters.

These enhancements support 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 2021 report, which covered the 12 months to the end of September 2021, noted that Insight’s controls “were suitably designed to provide reasonable assurance that the control objectives would be achieved” over the period under review, and that the controls tested “operated effectively” over the period. For more information, please contact your Insight representative.

New for 2022
Reflecting on the performance of our controls, and recognising an opportunity to set increasingly high standards, Insight has appointed an external auditor to conduct a readiness assessment of Insight’s key stewardship and ESG-related activities, to include proprietary ESG ratings, engagement activity, responsible investment resourcing and MI and KPIs including client reporting. The findings of this review will be reported to iROC in 2022 to identify key areas for improvement in our controls and governance framework.

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

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

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

In 2021 we enhanced our client reporting suite by introducing a climate reporting template. This gives clients access to an aggregate summary of key climate data points, including carbon emissions data and Paris-alignment information.

2 Generate relevant reporting in a clear and relevant format: Our clients frequently ask us to comment how our investment activities, such as our stewardship activities and approach to ESG issues, align with their own values and priorities. This is supported by our reporting: all clients receive reporting in line with their stated monthly, quarterly or annual reporting requirements.
INSIGHT’S INTERNAL AND EXTERNAL RISK MANAGEMENT PROCESS FRAMEWORK

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

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

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

Role and responsibility of business line management (first line of defence)
The first line of defence encompasses the risk identification and control activities embedded within business processes.

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

Role of BNY Mellon internal audit (third line of defence) with respect to the Insight risk framework
Insight’s risk management activities are subject to internal audit inspection by a specialist team 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 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 of Insight’s response to Principle 6

### Key statements

#### Context
- Insight is entrusted with over £865bn of AUM\(^{10}\). We provide a breakdown of our assets by investment type, client type, and geography.
- Most of Insight’s assets are focused on risk management (including LDI strategies) and fixed income solutions, with 99% of our client base comprised of institutional asset owners; most of these assets are managed via segregated mandates rather than pooled funds.
- Most of our assets under management 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 partner with clients and build portfolios that align with their requirements: we engage to solicit feedback, we tailor our investment approach, and we share information on the latest investment approaches.
- Our activities include direct face-to-face engagement 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 take action reflecting the specific feedback we receive.

#### Outcome
- We seek to identify areas for improvement to ensure we are succeeding in addressing our clients’ needs. We participate in research studies with clients and their advisers every year to gain direct feedback on all aspects of our activities. We face various challenges as we seek to fully understand our clients’ requirements.
- In 2021, our high level of direct engagement with clients increased significantly, resulting in a range of activities:
  - Enhanced reporting for strategic credit mandates, incorporating comprehensive climate disclosures
  - Active participation in the UK’s green gilt issuance programme, with Insight becoming the largest buyer of newly issued green gilts
  - Client events highlighting a range of issues related to responsible investment and stewardship
  - New strategies developed in response to client demand for portfolios that explicitly target a positive impact

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\(^{10}\) As at 31 December 2021, 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 EUROPE’S LARGEST INVESTMENT MANAGERS\textsuperscript{52} RESPONSIBLE FOR OVER £865BN\textsuperscript{13} IN AUM. THE CHARTS BELOW PROVIDE A BREAKDOWN OF THIS AUM.

Notably, over 99% of our client base, as measured by AUM, is institutional. Larger institutional clients may have internal teams who liaise directly with Insight teams, while others 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 full and clear communication.

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

Because we focus on only what we believe we are best at, the vast majority of our AUM is in risk management (c.70%) and fixed income (c.25%) 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 (such as asset-backed securities and cash), used as collateral to fund derivative exposures
- • Derivatives (such as interest rate and inflation swaps) and repo, 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 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 seek bespoke mandates that meet their required time horizons, which influences how we build portfolios, 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.

\textsuperscript{52}IPE, ‘Top 500 Asset Managers’ survey, June 2020. Insight is ranked fourth out of the top 120 European institutional managers by total AUM for external Europe-domiciled institutional clients.

\textsuperscript{13}Data as at 31 December 2021. AUM are represented by the value of cash securities and other economic exposure managed for clients. Reflects the AUM of Insight, as previously defined.
Because we focus on only what we believe we are best at, the vast majority of our AUM is in risk management (c.70%) and fixed income (c.25%) strategies. Our risk management solutions largely consist of LDI mandates, which seek to manage pension schemes’ liability risks – most of our LDI clients are UK pension schemes.
6.2 ACTIVITY

HOW INSIGHT ENGAGES WITH CLIENTS TO UNDERSTAND AND REFLECT THEIR NEEDS

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

• **Client Solutions Group (CSG):** A team of 79 dedicated client solutions professionals, including Solutions Designers, Client Directors, Investment Specialists and Client Service Professionals. Each institutional client will typically have named individuals from each team within CSG assigned to them. This allows for close and regular contact, with monthly, quarterly and/or annual meetings with clients and their advisers to ensure we continue to fulfil and adapt to their needs.

• **Consultant Relations Team:** Our Consultant Relations Team of 10 dedicated specialists conducts in-depth quarterly meetings with investment consultants, setting a firm foundation for ongoing communication, and works closely with our CSG 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 33 -strong Financial Solutions Group (which focuses on risk management and LDI solutions), 166-strong Fixed Income Group, 24-strong Currency Team and/or our 11-strong Multi-Asset Strategy Group assigned to clients as appropriate. Our Responsible Investment Team may also engage with clients where relevant (see the section focusing on Principle 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 engage to solicit regular feedback from clients and their advisers on our performance.** We use regular dialogue to guide us on areas that may support their portfolio and non-portfolio requirements. Clients are assigned specialists to manage the daily relationship; this team supports clients by answering questions and engaging with our internal experts to service client requirements. Where relevant, we provide clients and their advisers with updated information on a quarterly basis to support their due-diligence efforts.

• **Second, we develop our capabilities and tailor our investment approach to align with each client’s stated responsible investment policies.** We discuss frequently how our investment activities, such as our stewardship activities and approach to ESG issues, align with our clients’ values and priorities. We recognise that many clients are increasingly wishing to adopt solutions that move beyond a focus only on materiality of ESG risks to also focus on moral/ethical characteristics and indeed positive impact allocations. For clients seeking bespoke ESG criteria, we have significant experience in implementing a wide range of bespoke portfolios and manage customised solutions with specific carbon targets, ESG filters, impact themes and exclusions lists.

• **Third, we believe that constructive engagement with our clients through meetings, information-sharing and reporting helps better decision-making.** To support this activity, we house education content on central platforms for clients to access on a range of issues. We also host dedicated conferences, webinars and events where our clients can interact with our colleagues and external experts. We believe a better-informed client base allows

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26 As at 31 December 2021.
26 Number of investment professionals as at 31 December 2021.
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 (click 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 we regularly engage with them to ensure our reporting provides the information and transparency they require. 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.

In 2021, we developed enhanced climate reporting (aligned with the TCFD) for some of our largest clients. These reflected different metrics according to our clients’ specific needs, and included a focus on gilts, given the substantial allocations of our clients in the asset class. While we are able to tailor our reporting to meet individual client needs, we also recognise that not all clients have the governance budgets to request bespoke ESG reports. Therefore, we have enhanced our standard ESG reporting significantly over the year, particularly for our LDI and credit strategies, in order to meet our clients’ evolving requirements, particularly with many clients looking to produce their own TCFD reports.

Our in-house data mean Insight can support reporting against the following attributes:
- ESG ratings
- Climate ratings
- Carbon metrics
- Stewardship activity
- Positive impact
- Paris alignment
- Exclusion criteria reporting

This reporting will be provided in various ways, 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,
- at regular client meetings,
- at specific responsible investment-focused meetings,
- through monthly and quarterly articles and updates, and
- through our annual responsible investment report.

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

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

Lastly, we make public the results of the PRI annual assessment survey. All survey results are available on request; however, we make three years of history available at any one time. 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

- Supporting a UK pension fund to pursue its net-zero goal: Net zero has been an important theme recently, but received particular focus in the approach to COP26. As well as many investment managers and other financial service providers making net zero pledges, we are finding that some pension schemes are also making net zero

In 2021, we developed enhanced climate reporting (aligned with the TCFD) for some of our largest clients. These reflected different metrics according to our clients’ specific needs, and included a focus on gilts, given the substantial allocations of our clients in the asset class.
commitments. We have a client for which we manage c.£3.5bn of assets across buy and maintain credit and secured assets who made their own net zero commitment. For now, the focus has been on how we can transition their credit portfolio to achieve its net zero target. This project has proved challenging and remains ongoing, as there is no pre-defined way of approaching this issue. We have worked alongside the internal responsible investment team at this client in order to develop an approach for projecting carbon emissions of issuers in the portfolio, develop a benchmark reflecting various emission reduction targets between now and when the client wants to attain net zero status, and monitor and report on engagement activity amongst the issuers with the highest emissions in the portfolio. This continues to be an area of development as the market advances in this area and issuers increase their transparency around plans to reduce emissions.

- Tailoring ESG reporting for a UK pension fund and our broader client base: As well as tailoring investment guidelines for portfolios to meet clients’ bespoke ESG requirements, we receive frequent requests from clients for us to tailor our ESG reporting. For example, we have a client for which we manage c.£5bn of assets across LDI, buy and maintain credit, and securitised credit. They have very specific ESG reporting requirements. We therefore compile additional reporting packs for the client on a quarterly basis to meet its requirements, including additional granularity on exposure to controversial sectors.

- US mutual fund company names Insight subadvisor, mandate is to convert traditional fund into one with ESG criteria: After a formal search process, Insight was hired for a $1.5bn+ sub-advisory assignment for an existing US mutual fund to replace a previous manager. During the due diligence process, Insight’s ESG credentials were discussed in detail. This fund’s platform subsequently elected to convert a second fund into one with specific ESG criteria and following an additional due diligence review, named Insight as manager for this fund with more than $700m in assets. Insight worked with the company to determine and document appropriate ESG criteria for the fund. Insight is responsible for both transitioning the legacy portfolio and ongoing active fixed income management in line with these expanded criteria. Examples of the criteria include that the strategy won’t own the worst rated ESG issuers unless they are impact, at least 80% of assets will have an ESG risk rating of 1, 2 or 3 (out of 5, with 5 being the weakest), and 5% or more of assets are to be in impact bonds.

PROTECTING CLIENTS’ INTERESTS

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

We also monitor new business against current volumes and identify any trends, so that we can resource ahead of growth. In 2021, we undertook a capacity review for the Insight Global ABS Fund. Due to a combination of strong demand for the Fund, coupled with the fact that the European ABS market has not grown materially in recent years, the Fund’s Board of Directors decided to soft close the Fund and place a limit on subscriptions. It is of primary importance to Insight that we protect the interests of existing shareholders, and by taking this proactive step, we aimed to retain the investment team’s flexibility to meet the Fund’s investment objective. The current holdings of existing investors are not affected, and investors are able to sell all or part of an existing holding as normal.
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 every year to gain direct feedback on all 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.

- **In our most recent client survey**, conducted in late 2020, 93% of the 165 respondents said they would recommend Insight, and 90% or more of UK respondents rated Insight as excellent or good for meeting their investment objectives, interaction with our investment and solutions professionals, their relationship with their client director, responsiveness to requests, and flexibility to meet their needs.

  Around 75% of respondents rated Insight’s capabilities to support their ESG objectives as excellent or good (with most of the remainder having no view), resulting in an average score of 3.5 out of 4. These client surveys are conducted every 18 months, and the next survey is scheduled for Q2 2022.

- **Investment consultants rate Insight very highly**: As of 2021, Insight has been ranked in first place for overall quality in LDI (investments and service) for 11 years in a row by UK investment consultant firms, according to research by Greenwich Associates. Since 2013, Insight has ranked top decile in every year for fixed income overall quality (investments and service)37.

- **Institutional UK clients rate Insight very highly**: Insight was the second most highly rated UK institutional investment manager for service, based on interviews with 318 UK institutional investors38. Insight has maintained a top decile position for service quality with UK institutional clients in nine of the last 11 years, having been recognised as service quality leader in 2015, 2017, 2019 and 2020.

- **Insight’s brand is the most highly regarded in the UK institutional investment management industry**: In 2021, Edelman’s biennial asset management brand study found that Insight’s brand was the most highly regarded among major investment consultants and the editors of relevant publications covering the institutional investment industry. The brand score is linked to the assessment of six brand factors: awareness, distinctiveness, corporate culture, strength of the investment team, rigour of a firm’s investment process and quality of the executive management team39.

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37 Source: Greenwich Associates 2021. LDI: results are based on interviews with 11 UK consultants evaluating LDI. Fixed income: results are based on interviews with 11 UK consultants evaluating fixed income managers.

38 Source: Greenwich Associates 2021, UKII-21. Results are based on 318 interviews with the largest institutional funds in the UK.

39 [https://www.edelman.co.uk/insights/2021-edelman-asset-management-brand-index](https://www.edelman.co.uk/insights/2021-edelman-asset-management-brand-index)
• Clients rate Insight on pan-European research platform Insticube: This is a European-wide peer to peer platform where investors can share information on their current managers’ investment and service performance with other investors in real time. Insight subscribes to the database to monitor satisfaction levels among clients in Europe. We use these results to monitor service perceptions and manager rankings across a number of areas. While the feedback is score-based, the questions asked to each investor are granular with 94 questions across eight sections. The score for each question is accessible meaning a detailed picture can be understood of each client’s individual experience. Using this information, Insight’s Client Solutions Group establishes detailed action plans for the relevant Client Director to address areas where clients have indicated that other managers achieve better results. A summary is included in reporting to Insight’s EMC each month for monitoring. By the end of 2021, there have been 69 reports submitted to Insticube related to Insight from 42 different clients.

• External research focusing on UK consultants, pension schemes and trustees rate Insight highly on service quality: Insight participates in a peer group research study conducted by Research in Finance, a UK-based research firm, which conducts annual waves of both qualitative and quantitative research with over 200 consultants, professional trustees, scheme managers and trustees who provide feedback on their experiences with Insight and other investment managers. These are annual studies to assess perceptions of the firm, including service, firm messaging, capability awareness, investment communications, thought leadership, virtual and in-person events, and Insight’s website. We also participate in customised research to test the effectiveness of specific materials to identify areas where we can improve our communications. Summaries of the results are reported to the EMC as actionable feedback along with plans to improve on the experiences of consultants, clients and trustees.

• New external research planned for 2022: Insight intends to commission external research across our client base to understand our clients’ priorities with regard to responsible investment, gain feedback on our responsible investment-related investment and service activities, and to identify relevant areas in which we can improve.

In 2021, we made a range of improvements to help us serve our clients more effectively, based on the feedback we had been given. With regard to stewardship, these included the following.

• Enhanced reporting for strategic credit mandates: In 2021 we worked to incorporate comprehensive climate disclosures.
  – In 2022, we are working to extend these disclosures further across more strategies, asset classes and regions.

• Active participation in the UK’s green gilt issuance programme: Many of our clients, who hold a substantial amount in gilts, have engaged with us over time on the proposals to issue green gilts, which resulted in the UK’s first green gilt issuance in September 2021. Taking into account our clients’ input and within the parameters of our investment mandates, Insight participated actively in the green gilt issuance, becoming the largest buyer of newly issued green gilts on behalf of our clients. See the section focusing on Principle 4 for more detail, including the extensive communications to help our clients and their advisers understand green gilts and how the issuance performed.
  – In 2022, we will continue to engage with our clients and the DMO on plans for future green gilt issuance.

• Client events highlighting a range of issues related to responsible investment and stewardship: In response to questions and engagement with our clients on a wide range of responsible investment and stewardship issues, our dedicated Responsible Investment Webinar in late 2021 focused on a wide range of topics, including how Insight views responsible investment in LDI, secured finance and strategic credit; the implications of COP26; and an interview with one of the largest UK defined benefit pension funds on net zero plans.
  – In 2022, we will continue an emphasis on responsible investment and stewardship in our client events, including in our training events. Our Client Summit in 2022, which brings together some of the largest defined benefit pension scheme professionals, decision makers and trustees, will focus purely on responsible investment and stewardship-related issues.

• New strategies developed in response to client demand for portfolios that explicitly target a positive impact: In 2021 we worked to expand our Responsible Horizons range
of strategies by developing two new approaches aiming specifically to have a positive environmental and/or social impact, which are increasingly in demand across our client base. Focused on European and emerging markets respectively, these strategies will invest in impact bonds and ‘impact issuers’ (issuers that we deem to be materially aligned to the UN Sustainable Development Goals). The European strategy launched in January 2022, and we expect the emerging markets strategy to launch in summer 2022.

• **Helping a US institutional client base increasingly interested in ESG education:** Given an evolving regulatory environment, the US institutional investment community has not broadly adopted ESG objectives within retirement portfolios but is increasingly interested in education to understand the variety of considerations and their relevance for institutional portfolios. Insight’s US team has offered a variety of education sessions, including group webinars, videos, written content and tailored one-on-one client meetings on topics such as ESG reporting and impact bonds. Insight’s focus with institutional clients has been the importance of ESG risk management in any credit portfolio, regardless of whether it has stated ESG objectives, and data transparency and reporting as a useful way to begin to assess ESG considerations.

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 purely 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. It is challenging to obtain feedback from retail investors in our pooled funds.

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

Overview of Insight’s response to Principle 7

Key statements

Context

- Insight aspires to follow a responsible investment approach for all mandates, across all geographies, regardless of whether they include specific ESG exclusions, constraints, or targets.
- We explain how our proprietary Prime ESG and climate risk ratings work, and how they support the integration of relevant and material risk factors within our investment processes.
- Integration of ESG factors into our research aims to directly 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 AUM is 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, impact bonds)
  - Derivatives
  - Multi-asset
  - Equities
  - Custom portfolios with ESG-related objectives
- Responsible investment and stewardship activity can be shaped by the geography within which an investment strategy operates, depending on local regulations and client needs. We outline some of the factors affecting our activity in the UK, Europe and the US.
- We outline some of the outcomes of our activity, but also refer readers to the section focusing on Principle 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 (please also see the section focusing on Principle 8).
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.

There is no difference to how we apply our approach across different geographies, markets and investment teams, though the needs and regulatory context of clients may vary, requiring adjustments to how we implement our approach in practice (please see the section focusing on Principle 6).

Our approach is underpinned by the belief that ESG issues can be important drivers of investment risk. 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, and so is of particular relevance for our clients, many of whom have long-term objectives. Social factors, such as local labour dynamics or demographic changes, can materially shift investors’ perceptions. Governance factors ranging from the quality of institutional frameworks to respect for the rule of law can materially influence investment performance.

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

To this end, we aspire to follow a responsible investment approach for all mandates, across all geographies, regardless of whether they include specific ESG exclusions, constraints or targets. This is because we believe that delivering superior investment solutions can depend on the effective management of the risks and opportunities presented by both financial and non-financial factors.

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. To this end, the integration of ESG factors into our research aims to directly support our acquisition, monitoring and exit decisions by making sure our investment analysts and portfolio managers have accurate information through our proprietary Prime ESG ratings and in-house research.

We note that this will apply in different ways to different asset classes and strategies, as our response below demonstrates. In some cases, such as more passive strategies (where a client has instructed Insight to invest in line with a specified benchmark) opportunities for investment decisions reflecting ESG factors will be limited.

Insight has investment teams in the UK and US. These investment teams both follow the same investment and stewardship processes as outlined in this document, including in our section focused on Principle 7.
7.2 ACTIVITY AND OUTCOMES

IN THIS SECTION WE EXPLAIN HOW INSIGHT INTEGRATES 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 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 incorporating ESG issues and engagement on those issues work together. We provide more information on how we engage across our strategies in the section focusing on Principle 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. We support efforts to develop and implement policy measures to manage and mitigate systemic risks to society and to the environment. More details about such efforts and engagements are discussed in the section focusing on Principle 4.

FIXED INCOME

Sovereign debt

UK government bonds (gilts)

Insight’s risk management strategies, most of which might be classed as LDI strategies, account for c.70% of Insight’s AUM. Most of these strategies are managed for pension schemes with liabilities extending decades into the future.

Much of this risk management (LDI) exposure is via gilts, and so engagement with policymakers and the UK DMO on gilt issuance, and specific topics such as green gilt issuance, is key.

- A notable development in 2021 was the introduction by the UK government of its inaugural green gilt. This was a welcome commitment and can enable pension schemes to achieve their broader environmental objectives while investing prudently to reach their financial targets. We engaged directly with the UK DMO on the proposed issuance and allocated to the green gilts on behalf of our clients.

Prime sovereign ESG ratings

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

The framework is integrated within Insight’s sovereign debt investment process and aims to help our sovereign analysts and portfolio managers consider material ESG risks in their investment decisions and to identify potential issues for constructive dialogue with sovereign debt issuers. The 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 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 2021 Prime sovereign ESG risk framework (see above) reflects a quantitative measure of a country’s ESG risk performance, incorporating data from 123 countries and 44 metrics, covering 25 broad themes across ESG pillars.

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 with regard to ESG factors.

The 2021 Prime sovereign ESG impact framework (see page 63) sources metrics from the World Bank’s Sovereign ESG portal. This database comprises 67 metrics from the World Bank’s sovereign ESG portal that have been screened for quality and suitability based on data coverage, relevance for impact and measurability, 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.

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 with regard to 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 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 ESG impact momentum score provides an indication of a country’s improvement or deterioration with regard to those ESG factors over a five-year period. This can help to identify how a country’s 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.

How we use the Prime sovereign ESG ratings

- To expand the scope of our existing risk processes: When making investment decisions regarding sovereign debt, particularly in emerging markets, 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 which can be material and relevant, and so our Fixed Income Group has access to the ratings which offer more in-depth information on their investment universe.

- 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 framework enables us to exclude or focus on issuers according to their ESG performance.

- To support reporting to clients on ESG-specific factors: The framework enables us to demonstrate how sovereign debt portfolios perform from an ESG perspective, either on an absolute basis or relative to a benchmark.

- To indicate issues for dialogue: Dialogue with sovereign issuers can be challenging and politically sensitive, but there can be opportunities to open discussions with officials from relevant agencies. Our framework presents a tool by which we might identify and prioritise matters to address with sovereign issuers. This is particularly relevant for emerging/developing markets. 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.

Future development

In 2022, we plan to enhance the Prime sovereign ESG ratings to encompass a wider set of data variables and improved modelling techniques. We believe these developments will further enhance our ability to critically assess sovereign ESG risks and to track their progress over time.
Corporate bonds

Insight invests in a broad range of corporate debt and seeks to integrate analysis of relevant and material ESG risks across the different asset classes on which we focus. The below schematic illustrates an overview of the ESG inputs into our fundamental analysis for corporate issuers.

Prime ratings and corporate issuers

We use our proprietary Prime corporate ESG and climate risk ratings to identify risks for individual issuers. Our engagement process subsequently raises these problems with issuers and actively encourages them to improve their practices. An in-depth understanding of these risks and assessment of an issuer’s ability and willingness to engage and address them is a key step in making the right investment decision.

We also use our Prime corporate ESG and climate risk ratings, and the broader ESG data set, to steer and influence our thematic engagement work to ensure we go beyond focusing purely on issuer downside risk. All of these engagement programmes have the added benefit of testing issuers’ commitment to bondholder interaction and can be very informative regarding an issuer’s attitude to governance.

Prime corporate ESG ratings

The Prime corporate ESG ratings are based on separate environmental, social and governance ratings, which in turn rest on 32 separate scores for a wide range of key ESG issues. This framework integrates our analysts’ judgements with data from multiple third-party data providers, which include MSCI, Sustainalytics, VigeoEiris, 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 (GICS) 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.
Prime climate risk ratings

The Prime climate risk ratings are applied to corporate entities and aim to highlight key climate risks. They are based on extensive raw data, which is applied to generate scores for 14 key issues across a range of themes, which are categorised as either physical or transition risks. They cover over 1,700 credit issuers, drawing from over 200 individual data inputs.
How ESG analysis affects Insight’s fundamental analysis for corporate issuers

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.

Integrating ESG analysis at Insight: focus on corporate issuers

A crucial step in our fundamental analysis is avoiding default and minimising default risk in portfolios. This is specifically built into our 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 since early 2021, climate risk.

Insight’s landmine checklist

- **Liquidity**: Assuming no access to capital markets in the next 24 months, what is the impact on the issuer’s liquidity?
- **Regulation and litigation risk**: To what extent is the issuer’s industry subject to regulation and changes in regulation?
- **Environmental, social, governance (ESG)**: Is the issuer properly managing environmental, social and governance risks?
- **Climate risk**: What is the issuer’s exposure to transition or physical climate risk?
- **Leveraged buyout (LBO) risk**: Is the business likely to be subject to an approach from or a bid by private equity?
- **Event risk**: Does the management have an appetite for debt financed M&A? Is the company’s share price underperforming?

**Materiality assessment: is the risk in the price?**

- **Bond value**: Buy, Hold, Sell

**ESG risk assessment - internal and external analysis**

- **Disruption**: Low, Medium, High
- **Resilience**: None, Limited, Significant
- **Risk timing**: Immediate, Medium to long term
- **Impact**: None, Limited, Significant
- **Engagement**: Satisfied, Monitor or follow-up, Escalate

Credit analysts empowered to integrate ESG into analysis

- **Quarterly Buy and Maintain group**
- **Quarterly ESG sovereign group**
- **Quarterly ESG corporate group**
- **Weekly credit meeting**
- **Daily news monitoring**

**Credit analysts make an informed risk-based assessment on the ESG information and combine this with an appraisal of the business/financial issues and the pricing levels of individual securities. Recommendations are made.**
Areas of weakness and/or controversy identified in the ESG rating outputs will 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 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 (taking into account the norms for the industry).

In terms of environmental factors, our Prime corporate ESG and climate risk ratings provide all analysts with sector-specific and issuer-specific information on key issues. This tool helps us to identify key 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 all of our 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 all 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.

Focus: Cash
ESG criteria are incorporated into our cash portfolios – 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 cash investment universe. Formal exclusions will be implemented in 2022, which will set out exclusion of the worst-rated performers using Prime ESG ratings: these will focus on worst-in-class sovereigns (with an overall Prime ESG risk rating of 3, 4 or 5) and corporate issuers (with an overall Prime corporate ESG rating of 5). If an issuer has no Prime corporate ESG rating, we will engage to understand the risks it faces; if the issuer does not engage, we will consider removing our holding.

We use the more detailed assessment of the individual E, S and G pillars within the Prime ESG ratings as a catalyst for engagement with the weaker ranked entities. That engagement typically seeks for the issuer to address our concern within a specified timeframe – an unsatisfactory response could lead to further engagement or exclusion.

In addition, we exclude UN Global Compact violators and apply a range of sector exclusions to help reduce the risk of the funds being exposed to issuers in more controversial sectors:
- Controversial weapons manufacture
- Military weapons systems, components and support systems and services
- Fossil fuel and nuclear energy-based power generation
- Coal mining
- Ownership/operation of gambling facilities and tobacco production

We do not currently report on carbon emissions for our money market funds, but we are aiming to develop this in the near future.

The cash instruments in which we invest are typically A1/A1+ rated, so ESG risks typically have less material impact relative to lower-rated fixed income investments. There has been no material impact on our liquidity portfolios’ performance since implementing these changes.
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 the ESG risks for each issuer, 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 that 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 its 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.

Integration in action

CASE STUDY: HOLD – the importance of digging deeper into ESG data at a Colombian regional bank

- **Objective:** To raise awareness with the bank’s management about our concerns, particularly climate risk, and governance issues including entrenched directors and gender balance at the board level.
- **Activity:** In Q2 2021, we engaged with the bank to discuss its weak Prime corporate and climate risk ESG ratings (5 – the worst possible). It was a useful meeting, as the bank highlighted activity on environmental issues, and flagged that an ESG data provider (which informs our Prime ratings) is collecting erroneous data. We took the opportunity to raise our concern that while the bank’s board is majority independent, many directors are entrenched, and none are female.
- **Outcome:** We continue to hold the bank’s debt, and will monitor for progress, looking to engage again in 2022.

CASE STUDY: AVOID – the relevance of ESG risks for the financial profile of a company

- **Objective:** Our objective was to understand the strategy of a UK-headquartered company that focuses on leasing equipment, including power generators, to transition its generators from diesel to a mix of gas, battery and solar power. The company has no third-party or Prime ESG ratings and was taken into private ownership earlier in the year.
- **Activity:** In Q3 2021, we engaged with the company to discuss the above strategy.
- **Outcome:** We declined to invest in a new issue from the company given our concerns over the transition story, and in view of the company’s stretched financials under private ownership.

CASE STUDY: HOLD – Addressing poor environmental performance at a water utility

- **Objective:** To better understand the company, a water utility’s, poor environmental and operational performance.
- **Activity:** We conducted a direct engagement with a water company in Q1 2021, covering both ESG and non-ESG topics.
- **Outcome:** Following our engagement, we decided to move the issuer to a ‘hold’ in our strategic credit portfolios. This means that we closely monitor the issuer’s performance and make investment decisions accordingly. This move to ‘hold’ was closely followed by the utility receiving a material fine for illegal discharges of sewage. We were considering selling our holding; however, the company was taken over by a new majority shareholder, who has committed to an equity injection which will contribute towards reducing leaks and improving customer service. We are pleased to see this change, and the remedial actions which have been implemented following the fine. We plan to engage with the issuer again in Q2 2022 after its next annual report is released, which will help us to determine the progress that has been made.
Secured finance
We consider ESG factors as part of the rigorous 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. This includes detailed due diligence on the originators both prior to making an investment, as well as on an ongoing basis.

An overview of our ESG ratings framework for asset-backed securities

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

We break the secured finance asset class into three broad segments: residential and consumer, commercial real estate (CRE) 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.

We consider ESG factors as part of the rigorous 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. This includes detailed due diligence on the originators both prior to making an investment, as well as on an ongoing basis.
### ESG considerations in Insight’s secured finance analysis

<table>
<thead>
<tr>
<th><strong>RESIDENTIAL AND CONSUMER</strong></th>
<th><strong>COMMERCIAL</strong></th>
<th><strong>SECURED CORPORATES</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy efficient buildings</td>
<td>Energy efficiency is positive for property values</td>
<td>Analyse each underlying loan, including; carbon emissions, raw material sourcing and waste</td>
</tr>
<tr>
<td>Electric vehicles in auto sector</td>
<td>Corporate team analyse key tenants</td>
<td></td>
</tr>
</tbody>
</table>

#### ENVIRONMENT
- Strong consumer protection practices
- Appropriate arrears/ default process

#### SOCIAL
- Property usage (limited control)
- Corporate 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
- Back-up servicing arrangements
- Sponsor equity (risk retention)

<table>
<thead>
<tr>
<th><strong>ENVIRONMENT</strong></th>
<th><strong>SOCIAL</strong></th>
<th><strong>CORPORATE GOVERNANCE</strong></th>
<th><strong>PRODUCT GOVERNANCE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability and disclosure of environmental metrics</td>
<td>Do affordability checks account for socio-economic circumstances?</td>
<td>Board independence and diversity</td>
<td>Is the origination team’s compensation structure linked to volumes?</td>
</tr>
<tr>
<td>Building energy efficiency and environmental stress testing</td>
<td>Have inadequate practices led to legal proceedings?</td>
<td>CEO pay structure</td>
<td>Comparison of origination process against industry standards</td>
</tr>
<tr>
<td>Is the impact of environmental regulations on loan recipients measured?</td>
<td>Consumer practices for arrears and foreclosures</td>
<td>Independence of risk and audit committees</td>
<td>Do affordability checks include change of borrower circumstances?</td>
</tr>
<tr>
<td>Is carbon impact part of origination practices?</td>
<td>Frequency of defaults/foreclosures</td>
<td>Separation of Chair and CEO roles</td>
<td>Are lending policies reviewed regularly?</td>
</tr>
</tbody>
</table>

Insight’s approach to ESG analysis within secured finance and asset-backed securities (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 a number of areas in which ESG data is not initially provided by the issuer as part of the standard data tapes that are the main source of collateral information.

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

Questions within Insight’s proprietary questionnaires focused on secured finance assets
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.

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 rigorous fundamental analysis undertaken on originators, which is vitally 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.

Challenges and actions taken in 2021

We have been working to highlight and challenge various myths about responsible investment in secured finance assets, including the following:

• **Myth 1 – Asset managers can have 100% coverage of ESG issues and comprehensive data:** The data is not available to complete this sort of analysis. Encouraging the production and availability of such data is a medium-term aspiration.

• **Myth 2 – Secured finance issuers don’t care about ESG otherwise they would provide the data:** ESG risks may be complex, but investors’ underlying assets are clearly identifiable and ring-fenced. Rules focusing on risk retention align interest between issuers and investors, and reduce poor lending standards, supported by regulation.

• **Myth 3 – You can construct a diversified portfolio of ‘green’ asset-backed securities:** ESG risks can be considered, as we have demonstrated above, but there are insufficient green bonds (except for within the CLO market). 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.

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 proposed a joint initiative with other major global asset managers to urge the development of key performance indicators on ESG issues, and engagement with local regulators on these topics. An initiative focusing on this issue was announced in March 2021.40

More information on our engagement efforts in secured finance is provided in the section focusing on Principle 9.

**Future developments**

We have worked to develop further enhancements within our secured finance capability, for implementation in 2022:

1. **A framework to assess carbon emissions in the majority of UK residential mortgage-backed securities (RMBS) in which Insight invests, and the entire European CLO universe, using data from both government sources and Insight carbon metrics.** We aim to reflect these data in ESG ratings, and to expand the framework to cover more sectors such as auto lending and aviation.

2. **Enhancements to our questionnaires, with separate templates for ABS/RMBS, commercial mortgage-backed securities (CMBS) and CLOs.**

Using the questionnaires, we believe our dataset is large enough to engage effectively with public issuers where we believe policies and frameworks can be improved to mitigate ESG risks in future deals.

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Impact bonds (use-of-proceeds bonds)
For certain sustainability and impact-focused mandates we are required to consider and assess the impact created by the investments we make. Below is the framework adopted which specifically pertains to impact (also known as use-of-proceeds) bonds. In 2021, Insight developed a similarly robust framework for sustainability-linked bonds (more information is provided below).

We assess impact bonds on a bond-by-bond basis. These include green, social and sustainability bonds. Impact bonds are bonds with specific green and social use of proceeds for example renewable energy projects.

Each impact bond will be given a red, light green or dark green rating.

How Insight generates ratings for impact (use of proceeds) bonds
There are three main areas that impact bonds are assessed against: ESG performance, bond framework principles, and bond impact. This is aligned with the ICMA Green Bond Principles, Social Bond Principles and Sustainable Bond Principles, as well as the European Green Bond Standards.

ESG performance
• As part of the assessment, we will review the Prime ESG and climate rating associated with an issuer, check for material controversies in the last 12 months, and consider the extent of the risks associated with it. We will also consider the company’s overall sustainability strategy and compare it against peers as we expect the impact bond financing to be part of the wider long-term sustainability strategy. For example, for a green bond we would focus on science-based net zero targets.

Companies deemed to exhibit inadequate performance will not be eligible for investment in Responsible Horizons strategies (see later in this section for more information on the range) and may not be eligible for other sustainability-focused mandates. Insight’s analysts pay close attention to companies with:
  – High-profile negative events
  – Weak history of ESG activities
  – Lagging performance versus peers
  – Sustainability strategy, commitments and targets such as net zero targets

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

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

  – Use of proceeds: At a minimum, we expect 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 these categories and information as to whether they are aligned with any official or market-based taxonomies. We typically look for the use of proceeds to be aligned with the ICMA Principles’ project mappings to ensure the validity of projects. Sector-specific considerations will be taken into account.

  – 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 taken to evaluate and select eligible projects along with set criteria for exclusions or management of risks, where applicable. There should also be a process for reinvestment if the use of proceeds is no longer eligible, or if the duration of eligible projects is less than the life of the bond.

  – Project evaluation committee: To manage the selection and monitoring of projects, we would prefer issuers to have a working group or separate committee to effectively manage the process.

  – Financing/refinancing: Our preference is for an impact bond’s 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 is unknown, attention will be paid to the maximum lookback period. Issuers that state proceeds can be used to pay back debt will automatically be downgraded from a dark green rating.

  – Reporting: At a minimum, issuers must provide complete transparency on the use of an impact bond’s proceeds and the associated impact through reporting. Our preference is for independent verification and for impact reporting to be aligned with the ICMA Harmonised Framework for Impact Reporting.

  – Key performance indicators (KPIs): Issuers should note or indicate potential KPIs that would be provided as part of impact reporting. These should be relevant and appropriate to the eligible categories.
A second-party opinion must be provided by all issuers to ensure the overall bond framework has had independent verification under the ICMA principles.

**Bond impact**

Our analysts will consider the positive impact of the bond. This is a qualitative and quantitative assessment. A qualitative assessment will consider:
- Tangible change in strategy and the ‘ambitions’ of the issuer
- Links to organic growth versus business as usual
- If the bond will increase impact-related revenue, capital expenditure would be preferred over operating expenditure

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

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**What Insight’s impact bond ratings mean**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Approach</th>
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</table>
| 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.  
• Unallocated proceeds may be used to pay back existing debt and there is no commitment to allocation/impact reporting.  
• Overall impact of the use of proceeds is low relative to peers. |
| Light Green | • The issuer has an impact bond framework in place along with a second-party opinion.  
• 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.  
• Overall impact of the use of proceeds is good relative to peers. |
| 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.  
• The issuer has a project evaluation committee in place to select, evaluate and monitor use of proceeds.  
• The issuer has committed to annual allocation and impact reporting, which has been independently verified by a third party.  
• Overall impact of the use of proceeds is strong relative to peers. |

**CASE STUDY: AVOID – an impact bond with limited potential for meaningful impact**

A European utility company was looking to fund improvements in the energy efficiency of its gas network. Insight realised that the company’s framework would imply maintaining the status quo of a high-carbon energy system reliant on fossil fuels and would not contribute towards driving change to a low carbon economy based on renewable energies. We chose not to invest as we saw little sign that the company could overcome these issues prior to issuance and because a more impactful bond would focus on renewable energy integration into the energy system.

**CASE STUDY: AVOID – engagements on emerging market impact bond**

We decided not to participate in a new bond issue from Serbia as our assessment concluded it did not meet the required level of disclosure, particularly in terms of quantitative key performance indicators.
New for 2021: Insight’s assessment framework for sustainability-linked bonds

Our framework, introduced in 2021, provides guidance for how sustainability-linked bonds are assessed and rated by Insight.

We assess sustainability-linked bonds on a bond-by-bond basis. A sustainability-linked bond is a type of bond instrument whereby the financial characteristics of the bond varies depending on whether the issuer achieves predefined sustainability objectives demonstrated through KPIs.

Under Insight’s framework, these bonds will be given two ratings – one reflecting its sustainability credentials and the other its structure and incentive.

To be considered suitable for inclusion in Insight’s impact allocations the minimum criteria for both the sustainability criteria and bond structure and incentive must be met. An overall red, light green or dark green rating is assigned, with both light green and dark green status designating suitability for investment.

The sustainability credentials of a sustainability-linked bond are assessed in two key areas:
- The ESG performance and sustainability strategy of the company
- The specific targets and ambitions of the KPIs related to the instruments

The bond structure and incentive of a sustainability-linked bond are assessed with close attention paid to the following characteristics:
- The size of the financial adjustment of the bond if a KPI is achieved
- The type of variation in the bond’s structure if a KPI is achieved
- The timing of the trigger event and adjustment of the bond’s structure
- The frequency of the financial adjustment if a KPI is achieved
- Fallback mechanisms in case the sustainability performance target(s) cannot be calculated
- A description taking into consideration of potential exceptional events that could impact the calculation of the KPI

New for 2021: green strategy focused on emerging market corporate debt

There has been a dramatic increase in interest in impact-oriented strategies in emerging markets over the past 12 months, driven by the huge potential positive impact and attractive returns on offer in the asset class.

In September 2021 we launched our first impact-oriented strategy focusing on emerging market corporate bonds, targeting green bonds, low carbon issuers and decarbonising issuers, aiming to deliver a strong total return alongside a material positive environmental impact. In keeping with our broader approach to ESG, we are concerned not just with an issuer’s current status, but also its direction of travel, and the incremental impact our investment is likely to have over the long term.

Examples of investments we’ve made since launch:
- **Green bond:** Issued by an Asian electric generation utility, the green bond supported 227 MW of geothermal capacity and exploratory development of additional geothermal capacity, providing electricity with carbon emissions over 90% below the incumbent provider.
- **Low carbon issuer:** The issuer is an African telecom company operating very efficiently, with carbon intensity both significantly below the sector average and 95% below the index average.
- **Decarbonising issuer:** The issuer is a Latin American industrial company with significant greenhouse gas emissions at present, but with clear, science-based targets to reduce its net emissions by 40% by 2030.

There has been a dramatic increase in interest in impact-oriented strategies in emerging markets over the past 12 months, driven by the huge potential positive impact and attractive returns on offer in the asset class.
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 introduces bank counterparty default risk. To manage these risks, not only are positions collateralised daily, counterparties themselves are subject to a rigorous selection and monitoring process.

Within the investment process at Insight, we conduct our own credit analysis on banks. Our credit analysts assess all 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, in order to assist with our governance assessment and how a company’s management responds to environmental and social issues, we use our proprietary risk-centric, corporate Insight ESG score. For more information on our ESG scoring process, please see earlier in this section for details of our Prime corporate ESG ratings.

Insight’s Counterparty Credit Committee (CCC) chaired by Insight’s CRO, oversees this process. The CCC 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. 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 with regard to ESG and other issues.

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

• In 2021 we developed a counterparty sustainability engagement programme that was reviewed and approved by Insight’s CEO and CRO. These engagements began in January 2022 with a focus on four sustainability themes (environment, remuneration, diversity and cyber) across 21 counterparties. Responses will be benchmarked and 1:1 meetings will be set up with selected counterparties in order to discuss the issues in more detail. See the section focusing on Principle 9 for more information.

• To help our clients understand the ESG risks borne by their counterparties and how they are managed, we provide our ESG ratings for 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, outlining specific engagements with counterparties as well as an overview of our broader work on wider issues relevant to LDI. As well as providing clients with this information, this activity has also served to help them comply with new regulatory requirements regarding ESG disclosures.

MULTI-ASSET

Our flagship multi-asset approach, Insight’s broad opportunities strategy, follows a global macro approach targeting long-term growth through dynamic asset allocation across a broad range of asset classes. Responsible investment considerations are integrated across all asset classes within our investment process, while seeking to build the portfolio in the most efficient way possible. Our typical implementation is via index-based instruments (derivatives and ETFs) as well as direct holdings (mostly for Infrastructure holdings via closed-ended investment companies).

Much of our activity involves proactive engagement – please see the section focusing on Principle 9 for more details.

The UN PRI has six aspirational principles for the incorporation of ESG issues into investment decisions. We outline these principles below to demonstrate how we have integrated responsible investment into the multi-asset investment process in a way that is attuned to our approach and the instruments that we utilise.
We recognise that delivering on our underlying responsible investment principles requires continual progress in our activities. We have already played some part in accelerating the take-up of derivative access to ESG screened indices by being an early adopter of such instruments. Our 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.

As part of our real assets exposure, the strategy accesses cash-generative investments via listed closed-end investment companies with a focus on renewable energy, energy efficiency, social and economic sectors. In addition, we have introduced proprietary ESG scores for all infrastructure holdings. We developed an internal questionnaire together with Insight’s Responsible Investment Team and, consistent with other investment desks, use the questionnaire to close information gaps and better inform us on sustainability risks.

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

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

<table>
<thead>
<tr>
<th>Area</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Embed ESG considerations in investment analysis and decision making</td>
<td>Actively seek ESG screened instruments for market exposures which can help deliver return objectives. Evaluate ESG issues when assessing direct investments. Investments in pooled funds have embedded ESG considerations.</td>
</tr>
<tr>
<td>2. Incorporate ESG issues into ownership policies and practices</td>
<td>Vote on all direct holdings. Actively engage with all direct holdings, pursuing a responsible investment agenda.</td>
</tr>
<tr>
<td>3. Seek appropriate ESG related disclosures</td>
<td>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.</td>
</tr>
<tr>
<td>4. Promote acceptance and implementation of the Principles</td>
<td>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 benefits all holders and encourages best practice.</td>
</tr>
<tr>
<td>5. Engagement across the business</td>
<td>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.</td>
</tr>
<tr>
<td>6. Report on ESG related activities and progress towards implementing the Principles</td>
<td>Provide transparent reporting of portfolio exposures using insight’s proprietary ESG ratings of underlying exposures, as well as carbon intensity scores. Reports on voting and engagement can be provided.</td>
</tr>
</tbody>
</table>

Source: Insight and Bloomberg as at 31 December 2021. Carbon intensity calculations take each underlying corporate issuer’s (or where appropriate pooled fund) total Scope 1 and Scope 2 emissions, which are then normalised by revenue (US$). Data sourced from MSCI without modifications. Cash, government bonds, currencies and commodities are not assigned a carbon intensity score and are excluded from calculations. ESG score distribution at Q4 2020. ESG scores reflect Insight’s assessment of corporate and sovereign issuers, or where appropriate, pooled funds.
Challenges of 2021
The lack of common industry standards for the assessment and measurement of relevant ESG metrics remains a challenge in effective, clear reporting of relevant ESG metrics. Our transparent approach to reporting ESG outcomes at a portfolio level goes some way to address this challenge, and we remain committed to further developing our ESG reporting capabilities as industry standards coalesce over time.

EQUITIES
Equity strategies account for less than 1% of Insight’s total AUM. This exposure covers both physical and derivative assets. Although the latter lack the ability to vote, we embed ESG considerations across the entire equity asset base as a matter of course. On a monthly basis we review holdings through the lens of their Prime corporate ESG ratings, highlighting those instances where we hold long positions in companies with a 4 or 5 rating (the ratings range from 1, the best possible, to 5, the worst possible). We follow the Insight Proxy Voting Policy to ensure a consistent firm-wide process and transparency. See the section focusing on Principle 12 for details of our shareholder voting in 2021.

We seek to reflect all material risks, including ESG risks, within our equity portfolios. This is a fundamental part of our stock-picking process: we use our Prime ESG ratings to help us identify good-quality franchises, with solid management teams running their operations in the right way.

Through our qualitative research, we have sought to reflect material ESG factors within our portfolios, and we believe our quantitative data demonstrates this. In 2021, around 80% of the capital invested in our equity income portfolios received a Prime corporate ESG rating of 1 to 3.

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

From 2022, we plan to meet every two months to review all aspects of the Prime ESG ratings and company engagements across holdings in our absolute return equity and equity income portfolios. This meeting will aim to ensure the Prime ratings help shape any forthcoming engagements and will be used in advance of all company meetings. The meeting will also seek to ensure that all meaningful governance questions and engagement opportunities are captured and recorded.

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 moral/ethical characteristics and positive impact allocations. For clients seeking bespoke sustainability criteria, we have significant experience in implementing a wide range of bespoke portfolios and manage customised solutions with specific carbon targets, ESG filters, impact themes and exclusions lists.

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

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

- Emphasise the best and avoid the worst performers on ESG issues, based on research powered by Insight Prime. Engagement will be targeted towards issuers which have deteriorating performance.
- Reflect long-term themes, such as climate change and social inequality
- Avoid investments with a negative impact, including tobacco producers
- Apply a higher hurdle for environmentally sensitive industries, like energy companies
- Provide transparency on the application of Insight proprietary ratings and key ESG performance indicators through customised reporting

41 As at 31 December 2021, AUM are represented by the value of cash securities and other economic exposure managed for clients.
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 responsible investment objectives. Please contact one of our team to discuss in more detail how we tailor solutions to a client’s requirements.

We expect Responsible Horizons strategies to reflect best practice in responsible investment and as a firm we continuously develop data quality, research and engagement and the range of solutions for clients. We are committed to continuous improvement, innovation, and collaboration with asset owners and the asset management industry to ensure the most effective approach to investment and sustainability.

Responsible Horizons strategies include the following:
- Responsible Horizons Euro Corporate Bond
- Responsible Horizons Strategic Bond (new for 2021)
- Responsible Horizons UK Corporate Bond (new for 2021)
- Responsible Horizons Global Corporate (new for 2021)

New strategies developed in response to client demand for portfolios that explicitly target a positive impact: In 2021 we worked to expand our Responsible Horizons range of strategies by developing two new approaches aiming specifically to have a positive environmental and/or social impact, which are increasingly in demand across our client base. Focused on European and emerging markets respectively, these strategies will invest in impact bonds and ‘impact issuers’ (issuers that we deem to be materially aligned to the UN Sustainable Development Goals):
- Responsible Horizons Euro Impact Bond (new for 2022)
- Responsible Horizons EMD Impact Bond (new for 2022)

We expect Responsible Horizons strategies to reflect best practice in responsible investment and as a firm we continuously develop data quality, research and engagement and the range of solutions for clients.
7.3 ENSURING OUR SERVICE PROVIDERS SUPPORT THE INTEGRATION OF STEWARDSHIP AND INVESTMENT

ENSURING THE EFFECTIVENESS OF OUR THIRD-PARTY ESG DATA PROVIDERS

Insight uses data from a range of third-party providers to inform our Prime ESG ratings and other analysis (see the section focusing on Principle 2, and earlier in this section, for more information). For information on the selection and monitoring of these providers, see section 8.3.

We seek to continuously identify gaps in ESG data coverage. In 2021, we sought to address several material gaps by adding new data subscriptions:

- **Carbon metrics**, in particular forward-looking assessments of corporate issuers’ trajectories, to support our net-zero assessments and monitor progress.
- **Taxonomy data** to support regulatory reporting needs for relevant portfolios, such as those with an Article 8 or 9 designation under SFDR, and to inform Principal Adverse Impact assessments.
- **Screening data**, adding new criteria for clients that are seeking to apply specific values to their portfolios.

Key weaknesses that are common in third-party ESG data include a lack of transparency regarding the drivers of their ratings, in areas such as human resources and supply chains, and a reliance on self-reported information by entities they cover. We seek to address these issues through our own qualitative research, where we identify potential material risks or issues that require engagement.

A future enhancement we have identified is to create a central ESG database that will allow the information to be more accessible by downstream systems for reporting and portfolio management.

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

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 the section focusing on Principle 8 for more information.

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

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

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

With respect to the third-party service providers supporting our responsible investment activities, data sources are assessed according to factors including their timeliness, data coverage, transparency, and the quality of their methodology.
8 MONITORING MANAGERS AND SERVICE PROVIDERS
Insight monitors and holds to account managers and/or service providers.

Overview of Insight’s response to Principle 8

<table>
<thead>
<tr>
<th>Key statements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activity</strong></td>
</tr>
<tr>
<td>- Insight adopts BNY Mellon’s Third Party Governance Policy which outlines procedures regarding third-party management with the objective of having a consistent risk-based approach. We explain the roles of the Vendor Management Steering Committee and Vendor Management Team that oversees Insight’s adherence to this policy.</td>
</tr>
<tr>
<td>- Steps 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 specialist negotiators and legal representatives for contracting services. Ongoing monitoring activities are undertaken in line with BNY Mellon’s Policy.</td>
</tr>
<tr>
<td>- Details of our ESG criteria applied to service providers are provided in the section focusing on Principle 7.</td>
</tr>
<tr>
<td><strong>Outcome</strong></td>
</tr>
<tr>
<td>- Insight’s service providers enable Insight to be an effective steward of its client’s investments.</td>
</tr>
<tr>
<td>- We outline our governance and processes for monitoring ESG service providers.</td>
</tr>
</tbody>
</table>

Insight uses more than 800 service providers (ranging from large multi-national asset servicing firms to small specialist providers) to assist portfolio and operational management of client assets. 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
- VigeoEiris
- S&P Trucost
- CDP
- Science-Based Targets initiative
- Transition Pathway Initiative

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.

Furthermore, 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 Analytics provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote. Where contentious issues are identified, these are escalated to Insight for further review and direction. Insight’s Proxy Voting Group has oversight of Minerva Analytics. More information on Insight’s voting activity is available in the section focusing on Principle 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 the course of running its business and applies 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.

- 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**

BNY Mellon’s Supplier Code of Conduct 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.

Providers who do not comply with these criteria will not be selected (see the section focusing on Principle 7 for more information). An Issue Acceptance Process is in place to address gaps or concerns with third-party control environments. All vendors go through negative media and sanction checks.

**INSIGHT’S VENDOR MANAGEMENT STEERING COMMITTEE**

The Vendor Management Steering Committee is the key vendor management committee for third-party providers and deals with any third-party related activities and issues. The Committee meets 10 times per year.

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

- Risk management
- Updates
- Vendor management key risk indicators
- Review of dashboards
- 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**

- Resources: Recruitment and development of resources to ensure appropriate skillsets to support vendor management.
- 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 and high-risk 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.

**Conflicts of interest**

- Assess both actual and potential conflicts of interest that may arise within the business and which have been escalated to the Committee.

**INSIGHT’S VENDOR MANAGEMENT TEAM**

Insight’s Vendor Management Team 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 processes and procedures 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 normal 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 the section focusing on Principle 7.

New for 2022
From 2022, we will ask suppliers to provide specific information on ESG-related questions, including:
• Does the organisation have a formalised ESG programme or set of policies and procedures approved by management?
• Is there a documented policy or set of procedures for ethical sourcing?
• Is there a defined supplier code of conduct required of all suppliers?
• Are their defined standards in the sourcing process to address sustainability?
• Are there documented policies and procedures that address prevention of modern slavery and human trafficking?
• Does the organisation publish an annual statement setting out the steps taken to address modern slavery and human trafficking within the company and its supply chain?
• Is there a compliance program and procedures that address health and safety risks?
• Does the organisation have a documented health and safety policy?
• Does the organisation have a documented environmental risk management policy?
8.3 ACTIVITY AND OUTCOME

Insight’s service providers enable Insight to be an effective steward of its client’s investments. Insight uses numerous service providers while running its business, and applies best practice described in the Vendor Management Policy when managing its vendors. Insight outsources its framework, systems and administration of the vendor management process to 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.

Insight’s primary service provider is our outsourced back-office provider. The expected standards are defined within a service level agreement, and delivery against these standards is formally reported on a monthly basis and validated by Insight. Periodically Insight will look to external benchmark providers to provide an independent relative assessment. The service management framework at Insight is based around four key areas of engagement and four key oversight committees. Direct validation from Insight’s compliance and risk teams is also undertaken.

We have steps to monitor performance for critical vendors. Issues which have occurred in the past were 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 2021
• Insight enhanced its processes further and adapted BNY Mellon’s Third Party Governance framework in 2021.
• In 2021, 114 new vendors were onboarded by Insight.
• In 2021, ‘inherent risk profile’ assessments were conducted for all Insight third parties and 101 vendors deemed to have a critical, high or moderate inherent risk rating. For critical and high-risk vendors, performance scorecards were completed, with no instances of non-performance which could affect business operations. There were no forced terminations.

FOCUS ON ESG DATA SERVICES

Insight has used third-party ESG data and rating services for more than 15 years. These services 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 funds’ objectives to align with SFDR Article 8 portfolio requirements.

We have chosen these providers based on the extent to which their methodology supports our needs. Two groups within Insight review providers:
• The Data Management Office, which reviews all data sources, considers the data, including its quality, any gaps, and processes for monitoring and escalating any issues, and will ensure any agreement with the provider complies with the Insight Data Management Framework.
• The RIG reviews third-party ESG data for relevance and appropriateness from an investment perspective.

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

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

In 2021, Insight’s Business Change Team conducted a thorough interview and scoring process of three ESG data vendors, focusing on how they absorbed and used EU taxonomy and SFDR indicators. One data vendor was identified as the strongest candidate for the speed and breadth of their coverage. Following the selection of the proposed vendor, Insight’s RIG and IROC reviewed and approved subscribing to the service.

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 it monitors its 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 our Proxy Voting Group, established in 2020. See Principle 12 for more information. We would note that equity assets account for less than 1% of our AUM (see the section focusing on Principle 6). Some of these assets are accounted for by equity exposure via derivatives, limiting our ability to engage through voting.
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 will reflect our clients’ financial and non-financial objectives (such as sustainability targets).
- Engagement activity and how we report on it reflects the breakdown of our AUM.
- We often select and prioritise topics for engagement by our fixed income teams using our Prime ESG and climate risk ratings, with our Responsible Investment Team and wider investment teams also monitoring and identifying issues as they arise.
- In 2021, we prepared new engagement programmes for 2022, focusing on a range of themes and on our trading counterparties.

Activity and outcomes
- In 2021, of over 1,000 engagements with debt issuers, c.80% included some form of ESG dialogue. These included engagements with companies in 69 countries, of which 37 were from 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 2021 of our engagements in each:
  - Fixed income
  - Multi-asset
  - Equities
9.1 CONTEXT

WE AIM TO ENGAGE WITH ISSUERS IN ORDER TO ACHIEVE THE BEST OUTCOMES FOR OUR CLIENTS.

We use our mission and purpose to guide our engagement approach, to help us meet our clients’ needs and maximise certainty that we can achieve our clients’ desired outcomes (see the section focused on Principle 1).

Given the majority of Insight’s AUM is in risk management and fixed income strategies, our focus as a business means our engagement is different to many of our peers in the investment management industry. Engagement with fixed income issuers offers different opportunities and challenges to engaging with equity issuers; and with a substantial proportion of our clients invested in gilts and derivatives, our focus for engagement is necessarily concentrated on issues with specific relevance to derivative markets and dialogue with policymakers and the UK DMO on gilt issuance.

That said, engagement is a central part of our stewardship approach, which ultimately helps us to deliver better risk-adjusted returns in the long term. We achieve this by focusing on the following areas:

• **Risk management:** We use our Prime ESG ratings to highlight potential ESG and investment risks by identifying laggards across 32 ESG factors. Our analysts use this detailed information to identify which topics to engage with issuers on to improve their behaviour and performance over the long term. More information on our Prime ratings is provided in our response to Principle 7.

• **Creating a positive environmental and societal impact:** We are increasingly engaging with issuers on topics to encourage a positive impact. This is driven by understanding our clients’ investment stewardship priorities and strategies, and taking this approach helps us to align with our clients’ impact-related goals.

Whether our clients are seeking only a financial return, or also to pursue other objectives (such as sustainability targets), we believe a key element of stewardship is proactive engagement with entities as we seek to ensure effective analysis and a more accurate judgement of a potential investment’s fair value. We also use engagement to influence issuers and encourage them to improve their practices.

We also believe that engagement with issuers can reflect Insight’s focus on doing the right thing with regard to the markets in which we operate, our people, and the wider world, particularly the environment.

For our risk management (LDI) and fixed income strategies in particular, we believe engagement with issuers, counterparties and other stakeholders can be instrumental in achieving our clients’ desired outcomes. Engagement in these areas differs materially from engagement over equities: bondholders (or users of 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.

We would also note that our work on market-wide and systemic risks is directly relevant for the vast majority of our client base and AUM (see the section focusing on Principle 4).

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, as we explain in the following pages.
9.2 ENGAGEMENT SELECTION AND PRIORITISATION

IDENTIFYING TOPICS AND TARGETS FOR ENGAGEMENT IS INFORMED BY OUR CLIENTS’ INTERESTS AND OUR ENGAGEMENT WITH THEM.

Engagements are identified and prioritised through a financial materiality lens, which looks at 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

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 will 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). Issuer progress against engagement targets is tracked over time to understand the success of the engagements. The Responsible Investment Team will also be responsible for running our thematic engagement programme in 2022, which is discussed in more detail later in this section.

- **Investment professionals:** Based on qualitative analysis and research, including proprietary questionnaires developed for specific markets, our 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.

NEW FOR 2022: THEMATIC AND COUNTERPARTY ENGAGEMENTS

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

**Engagement focus areas for 2022**

**Thematic engagement:** We have prioritised the most important ESG engagement themes for 2022 to ensure we are consistently addressing key issues through our engagement activity.

Our prioritised themes for 2022 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 April 2021, where we have committed to reach net zero emissions by 2050 at the latest. 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.

  Therefore, we are developing bespoke strategies to engage with the highest emitters within our portfolio on climate-related issues, such as coal exposure and carbon intensity performance. Currently, 30% of our absolute portfolio financed emissions have been prioritised for engagement, and we will be looking to increase this percentage over time.

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

We have prioritised the most important ESG engagement themes for 2022 to ensure we are consistently addressing key issues through our engagement activity.
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.

We will use the Prime ESG and climate risk ratings to identify companies which are highly exposed to water risks and are failing to manage them appropriately. Engagement will target these issuers to encourage improvement in water management and reporting.

- **Diversity and inclusion:** This is a topic of increasing importance across both social and governance themes. There is an increasing body of research to support improving diversity and inclusion at companies. We will use diversity and inclusion performance data to identify companies with poor performance, with an initial focus on the UK where there is more regulation. We will look to expand this to other markets over time.

Counterparty engagement: ESG risk assessment and engagement with counterparties is a long-standing part of our credit research process, particularly focused on the entities from the perspective of them issuing debt.

In 2021 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 for 2022 with over 20 of Insight’s largest trading partners asked to respond to detailed questionnaires.

- **Thematic approach** to the engagement focused on areas such as environmental factors (including moves to carbon neutrality, activity-based financing exclusions and green bond issuance), remuneration (including links between executive pay and meeting ESG-based targets or commitments), diversity (including board diversity) and cyber (including data breaches)

- **Engagement driven by identifying laggards** and areas of perceived relative weakness

- **Setting targets and timeframes for action,** with a clear process for escalation

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.
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 WILL USE OUR PROPRIETARY ESG AND CLIMATE RISK RATINGS TO ENGAGE ‘LAGGARD’ ENTITIES.

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

If a direct meeting is not possible, we will 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 will seek to lead on a wider collaborative initiative, via the PRI or by engaging with other investors, to achieve influence.

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

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

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

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

NEW FOR 2022: ESG ENGAGEMENT PROCESS UPDATES

We have enhanced how ESG engagements are approached and recorded, with updates to be rolled out over the first half of 2022:

- **ESG engagement template**: We have updated the way that ESG-focused engagements are recorded in Bloomberg. A new ‘ESG deep dive’ template has been created which provides more detailed and comprehensive reporting on ESG-related engagements. The template includes sections such as:
  - Internal ESG targets
  - Improvement areas identified
  - Engagement objectives
  - Investment recommendations

- **Training and guidance**: A guidance document will be prepared for credit analysts to support them to:
  - Identify ESG topics to engage with issuers on.
  - Consider appropriate targets/actions for issuers by reviewing their sustainability disclosures and performance.
  - A training session will be held in 2022 for credit analysts to discuss what a ‘good’ engagement looks like.
9.4 ACTIVITY AND OUTCOMES

2021 Investment engagement activity

Source: Insight as at January 2022. 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.

Information on the integration of ESG factors within our investment processes, across different asset classes and strategies, is provided in the section focusing on Principle 7. As explained in that section, the majority of Insight’s AUM is 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.
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 policymakers and the UK DMO is a key activity that Insight undertakes. We attend quarterly meetings alongside other investment managers to share our views, alongside ad-hoc meetings to discuss specific topics of interest to our clients.

In 2021, we continued to engage with the UK DMO on its proposals for green gilt issuance, ahead of its first issuance in September 2021 and second issuance in October 2021. We believe this engagement was constructive and the issuance was ultimately well received, broadly fulfilling our expectations for sustainable issuance and meeting with strong demand in the market. We kept our clients well informed ahead of the issuance and provided detailed updates afterwards.

Other (non-UK) sovereign bonds
The relevance of ESG factors for sovereign issuers continues to remain at the developmental phase, lacking the level of consensus that is found at the corporate bond level. However, we continue to see strong growth in sovereign issuance in specialist areas such as green and social bonds, which should provide an even greater platform for sovereign engagement.

In 2021, 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 Debt Management Office. A particularly new theme has been the wish of sovereigns in the Middle East and lower-rated issuers (such as those in Sub-Saharan Africa) to issue impact bonds.

We actively engaged with Latvia on its impact bond issuance plans. We provided feedback that a wider framework was needed, rather than just sporadic bond issuance. Such a framework should form an integral part of the government policy making mechanism.

We also participated in a group engagement with the Debt Management Office of Hungary to communicate the need for more granular raw data to allow investors to draw their own assessments on its impact bond issuance. Its current framework largely relies on third-party assurance, rather than providing raw data to investors. As a result of the engagement, Hungary has agreed to put in place a dedicated governance framework in line with the ICMA Green Bond Principles and the proposed EU Taxonomy. The next step is to review the key performance indicators of the framework when published in 2022.

In 2022, we plan to engage more frequently with emerging market sovereign issuers, both in one-to-one and wider formats.

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. As a matter of policy, all 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 impact bond framework is integrated into daily morning credit discussions around new issues, and we look to see how it meets our internal ratings framework and whether there are incremental impact benefits while also maintaining a financial focus on risk and reward.

Engagement highlights from 2021

CASE STUDY: Engagement to understand the ESG risks and strategy of a business

- **Objective:** Our objectives for the engagement were to encourage the company, a privately held global manufacturer and installer of elevators, to formulate key performance indicators around carbon emissions and targets for emissions reduction; and to improve the gender diversity of its workforce, of which only a small minority was female or in leadership positions.

- **Activity:** In Q4 2021, we engaged with the company with a focus on understanding how it was approaching the formalisation of its ESG policy and improving reporting standards.

- **Outcome:** We received detailed input from the company, enabling us to assign Prime ESG ratings. As a result of progress made by the business, and its open engagement on the issues we raised, we remained invested. We have committed to continued dialogue to track the company’s progress towards specific, time-bound targets on emissions reductions and diversity in its leadership positions. We will also encourage the company to use sustainability-linked debt (where the cost of the debt is linked to progress towards stated targets) for any future debt issuance.
CASE STUDY: Improving an oil major’s climate disclosures

- **Objective:** We have regularly engaged with an oil major over the past few years to discuss its climate change strategy and performance. We sought to encourage the company to improve its climate disclosures.

- **Activity:** During 2021, we focused our conversations on climate disclosure and new technologies to address climate change, such as carbon capture and storage. One improvement area which we highlighted to the company was its current lack of CDP reporting (see the section focusing on Principle 10 for more on the CDP). We see the CDP questionnaire responses and associated scores as providing key insights into how a company manages its climate change risks. We engaged directly with the company, and through the CDP climate non-disclosure campaign.

- **Outcome:** We were pleased to see the that the company submitted the CDP climate questionnaire in 2021. We will be engaging with the issuer in 2022 on its water performance and hope that the company submits a water questionnaire in 2022.

CASE STUDY: Long term engagement with a global investment company

- **Objective:** In 2018, the company was a laggard in according to our Prime corporate ESG ratings. It was unclear how it was taking climate change into consideration when making investment decisions and it was not reporting against the recommendations of the TCFD. We sought to encourage the company to improve its consideration of climate-related risks and disclosures.

- **Activity:** We began our engagement with this company in 2018 as a result of its Prime corporate ESG rating. When we raised the problems we had identified with the issuer, we found that it was driven by fundamentals and did not seem engaged on climate change issues. As this engagement was disappointing, we flagged the issuer to monitor closely and reengage regularly to understand sentiment. Our most recent engagement was in 2021.

- **Outcome:** The company now reports in detail against the TCFD recommendations, is developing decarbonisation pathways to support the firm’s Net Zero targets, and a Chief Sustainability Officer was appointed in 2021. We look forward to continuing the conversation and seeing progress in 2022.

CASE STUDY: Impact bond assessment for a telecoms company

- **Objective:** To provide our feedback on best practice to a telecoms company planning to release a green bond framework.

- **Activity:** We reviewed the company’s proposal and provided our feedback on best practice. The issuer was planning to include the rollout of 5G as a green use of proceeds bond, based on the principle that data loads faster which makes it more efficient. We explained that this was not in line with our rating process for a green bond as there was not enough evidence to support the environmental benefit of this initiative. Supporting this view, the Chief Finance Officer (CFO) decided that most of the organisation’s capital expenditure was 5G-related and ‘business as usual’, rather than providing an incremental environmental benefit, and therefore did not justify an impact bond.

- **Outcome:** The issuer has since released a sustainability-linked bond framework which we found to be more closely aligned to the ICMA Sustainability-Linked Bond Principles, and therefore can buy future issuances in our impact funds.

CASE STUDY: Addressing governance controversies at a bank

- **Objective:** To highlight our concerns over governance controversies at a bank.

- **Activity:** We engaged with the bank following a number of governance-related controversies which impacted its Prime ESG rating. The bank was receptive to our engagement and explained it is going through a reorganisation as a result of the controversies, which revealed a catalogue of failings in the issuer’s risk management processes.

- **Outcome:** As these failings were being addressed through the reorganisation, we were satisfied that appropriate actions were being taken by the issuer. However, we continue to monitor progress of the company and plan to engage after its annual report is released in Q1 2022 to understand how successful the remedial actions have been.
CASE STUDY: Engaging with one of the world’s worst carbon emitters

- **Objective:** To raise our concerns with a South African power company over its governance and lack of a clear net zero plan.

- **Activity:** In 2021, we met with the company’s senior management to discuss its strategy on coal versus renewable power, future investments, funding costs and its governance issues. The company said it would outline clearer climate change mitigation plans. It has become much more dynamic in engaging with investors and ESG rating providers, which is encouraging.

- **Outcome:** We will follow up on the company’s updated decarbonisation strategy once published. We continue to hold the company in the short term, given its improving trajectory, but need to see concrete decarbonisation plans formed to hold for the longer term.

Secured finance

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

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

We also seek to understand the ESG risks to which secured finance assets themselves may be exposed. Determining ESG ratings for secured finance securities can be complex, as explained under Principle 7.

However, we have identified a range of ESG characteristics relevant across secured finance assets. To support our research, we have developed questionnaires for a range of sectors, and are developing more.

Given the different challenges across secured finance assets, how we respond to them varies depending on the type of asset. This has driven targeted engagement across different asset types.

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

  We issue questionnaires focusing on ESG risks to all originators of securities based on consumer loans or mortgages. We may invest without a completed questionnaire, depending on our overall analysis of a relevant issue.

- **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.

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

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

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

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

- **Direct lending:** Many companies seek to borrow money from non-bank lenders. Such loans are typically illiquid and therefore offer higher yields than more liquid assets, all else being equal.
For any direct lending, we ask borrowers to provide information on ESG risks to which they are exposed, and how they manage them. If a borrower does not provide this information, we decline the loan. Credit analysts and portfolio managers therefore have clear incentives to ensure that borrowers provide the necessary information on ESG factors.

In 2021, Insight joined the European Leveraged Finance Association and is a member of the organisation’s ESG Committee. We will help drive an initiative focused on working with third-party agencies to increase the number of leverage finance companies they analyse and rate.

CASE STUDY: Improving governance in a private bridge lending deal

- **Background:** In 2021, Insight performed due diligence on a senior note proposal. It was sponsored by a large US investment bank and backed by a pool of residential and commercial properties originated by a specialist bridging finance lender. Insight’s due diligence on the lender revealed its specialist capabilities and performance to be compelling, in our view. However, our ESG scoring output flagged ‘room for improvement’ within governance.

  Independent bridge lenders tend to be small (with portfolios no larger than $200m) as scaling up is challenging given the short-term nature of the loans. Meanwhile the compelling returns on offer (which can be up to 9% to 10% on an annualized basis for loans maturing in just a few months) can make a small-scale business model viable. This means originators typically have small teams and tend to rely heavily on key management and their founders, concentrating control of the business and policies around a few key individuals.

- **Activity:** Insight worked with the lender and the US bank, advocating for the inclusion of an independent director on the board to improve governance, impartiality, risk management and diversity of control.

- **Outcome:** The originator agreed to seek an independent board member.

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.

Insight embeds ESG analysis in our LDI portfolio management process and we engage actively with bond issuers and counterparties.

The ESG risks borne by derivative counterparties are considered within our CCC 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. See earlier in this section for details of our counterparty-specific engagement plans for 2022.

To help our clients understand the ESG risks borne by their counterparties and how they are managed, we provide our ESG ratings for 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, outlining 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.
We actively encourage the development of new ESG index-based instruments. To achieve this, we actively engage with market participants to launch new ESG instruments and adopt ESG criteria to existing instruments, and by being early-stage investors in such instruments ourselves.

We highlight below our two primary areas of activity, and more specifically the activity during each of the four quarters in 2021:

1. We actively encourage the development of new ESG index-based instruments. To achieve this, we actively engage with market participants to launch new ESG instruments and adopt ESG criteria to existing instruments, and by being early-stage investors in such instruments ourselves. For example, we were one of the first investors to use the S&P 500 ESG index, Euro Stoxx 50 ESG index and MSCI Emerging Market ESG index futures that were launched in 2020. We also participated in a consultation which contributed to the exclusion of companies that derive more than 5% revenue from thermal coal from the S&P 500 ESG index.

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 created exciting growth opportunities in renewable energy generation, and we are increasingly seeing opportunities in energy efficiency. We have been early-stage investors in a broad range of such companies within the infrastructure component of our multi-asset strategy.

Q1 2021

- **ESG questionnaires**: We received the latest responses to our proprietary ESG questionnaires, which help us in our stewardship role by identifying areas for future engagement with company boards and asset managers. For an existing position, we voted in favour of proposals that allow for an increase in renewable energy exposures over the next 12 months.

Q2 2021

- **Governance**: For one holding we voted against a proposal seeking higher share issuance rights than we believed to be appropriate and engaged with the company requesting disclosures around its Board evaluation exercise.

Q3 2021

- **Engagements**: We initiated discussions with an index provider to adopt a lower threshold for excluding companies involved in thermal coal power generation, coal mining and exploration. We also initiated discussions that could lead to the adoption of ESG screening criteria for a convertible bond index, which could help build overall portfolio ESG characteristics.

Q4 2021

- **Engagements**: We initiated discussions that could lead to the adoption of ESG screening criteria in a high yield bond index, which could help build overall portfolio ESG characteristics.

- **Governance**: Our activities included separately meeting with the board and asset manager of one of our renewable infrastructure holdings, with a particular focus on succession planning and capability transitions.
Specifically, in relation to direct holdings in infrastructure companies, we set out below our voting and engagement summary.

2021 voting and engagement summary

<table>
<thead>
<tr>
<th>Strategy Holdings</th>
<th>Total engagements</th>
<th>Engagement with IM</th>
<th>Board engagement</th>
<th>ESG discussion</th>
<th>Proactively Raised Topics</th>
<th>Proposals for Vote</th>
<th>Voted For</th>
<th>Voted Against</th>
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<tbody>
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<td><strong>Social Infrastructure</strong></td>
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<td>HICL Infrastructure</td>
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<td>18</td>
<td>100%</td>
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<td>1</td>
<td>2</td>
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<td>16</td>
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<tr>
<td>Greencoat UK Wind</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>16</td>
<td>100%</td>
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<td>Renewable Infrastructure Group</td>
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<td>2</td>
<td>1</td>
<td>3</td>
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<td>16</td>
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<td>John Laing Environmental Assets</td>
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<td>1</td>
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<td>Ecofin US Renewables Infrastructure</td>
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<tr>
<td>SDCL Energy Efficiency Income</td>
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<td>16</td>
<td>100%</td>
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<td><strong>Digital 9 Infrastructure</strong></td>
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<td><strong>Infrastructure Debt</strong></td>
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<td>6</td>
<td>22</td>
<td>5</td>
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</table>

In addition, we summarise our engagement activities in relation to companies that are currently not held in the portfolio.

<table>
<thead>
<tr>
<th>Non-holdings</th>
<th>Total engagements</th>
<th>Engagement with IM</th>
<th>Board engagement</th>
<th>ESG discussion</th>
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</thead>
<tbody>
<tr>
<td>Cordiant Digital Infrastructure</td>
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<td>1</td>
</tr>
<tr>
<td>ACP Infrastructure</td>
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<td>1</td>
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</tr>
<tr>
<td>Pantheon Infrastructure</td>
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<td>2</td>
<td>2</td>
</tr>
<tr>
<td>VH Global Sustainable Energy Opps</td>
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<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>5</td>
<td>5</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>
Equities
To support our analysis, we engage with companies on ESG risks and issues.

**CASE STUDY: Engagement to share concerns over remuneration plans**

- **Objective:** To share our concerns that the proposed terms of the share incentive scheme of a company, set to be listed as a separate entity by a private equity company, did not provide enough protection to shareholders.
- **Activity:** In Q4 2021, we engaged with the company to voice our concerns.
- **Outcome:** Ultimately, we were not persuaded that there were sufficient measures in place to assuage our fears and we abstained from voting on that resolution at the meeting. The next step will be to liaise with the remuneration committee of the separate entity, once listed, to put in place a more appropriate structure if necessary.

**CASE STUDY: Engagement to challenge lack of transparency**

- **Objective:** In summer 2021 a global diversified engineering group in which we were invested announced the sale of a division for c.$2bn but did not set out how the proceeds from the sale would be used. We felt this was poor governance from a capital allocation perspective and could have implications when referencing how management are remunerated. We sought to engage with the company to ask that this be set out more clearly.
- **Activity:** In Q3 2021, we engaged with the company, and also engaged with their advisers on a number of occasions.
- **Outcome:** The company subsequently set out how the capital would be allocated in a way we felt was specific and enabled management to be held accountable. We continued to hold the company in our portfolios.

See the section focusing on Principle 12 for details of our shareholder voting in 2021.
Insight, where necessary, participates in collaborative engagement to influence issuers.

Overview of Insight’s response to Principle 10

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:** These are detailed in the section focusing on Principle 4.
• **Collaboration on fixed income issues:** We believe it is important to engage where possible via collaborative initiatives to seek the best outcomes for our clients. Examples include:
  – PRI Advisory Council for Credit Risk and Ratings
  – ESG disclosures in ABS markets
• **Collaboration on sustainability issues:** Our Responsible Investment team will work with other investors and industry groups focusing on specific themes or issuers. Examples include:
  – Climate action 100+ engagement
  – IIGCC group focused on portfolios aligned with a two-degree world
  – CDP engagements to encourage greater transparency
  – UK social housing sustainability reporting
  – Supporting global sustainability reporting standards

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 focus on risk management (LDI) and fixed income, our focus with regard to collaborative engagement often differs to that of equity investors. Within the investment industry, collaborative efforts are often focused on equity markets, where shareholders will work together in exercising their voting rights to influence listed companies.

In fixed income markets, we note that engagement with some debt issuers can be difficult, and so we believe it is important to engage where possible via collaborative initiatives to seek the best outcomes for our clients. For example, dialogue with major developed-market sovereign issuers is unlikely to have a meaningful impact without collaboration across a pool of investors, given the amount of issuance. This underscores the importance of collaborative initiatives, such as the IIGCC, which Insight has supported for over 15 years.

Collaborative initiatives are selected based on their importance to Insight’s clients, the contributions we can make to the goals of the initiative and the philosophical alignment with our general purpose as a responsible investor.

10.2 ACTIVITY

NEW COLLABORATIVE INITIATIVES IN WHICH INSIGHT PARTICIPATES AND/OR TO WHOM INSIGHT IS A SIGNATORY ARE REVIEWED AND APPROVED BY IROC. WE OUTLINE MAJOR INITIATIVES BELOW.

Insight’s memberships and collaborative initiatives

<table>
<thead>
<tr>
<th>Organisation/initiative</th>
<th>Insight’s role</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDP (formerly known as Carbon Disclosure Project)</td>
<td>Investor signatory</td>
</tr>
<tr>
<td>Climate Action 100+</td>
<td>Investor signatory</td>
</tr>
<tr>
<td>European Fund and Asset Management Association</td>
<td>Corporate member</td>
</tr>
<tr>
<td></td>
<td>Member of Stewardship, Market Integrity &amp; ESG Committee</td>
</tr>
<tr>
<td>European Leveraged Finance Association</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>Member of ESG Committee</td>
</tr>
<tr>
<td>IASB Investors in Financial Reporting Programme</td>
<td>Member</td>
</tr>
<tr>
<td>Institutional Investors Group on Climate Change (IIGCC)</td>
<td>Investor member</td>
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<tr>
<td>International Capital Market Association (ICMA)</td>
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<td></td>
<td>Member of Green and Social Bond Principles Advisory Group</td>
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<tr>
<td>Investment Association</td>
<td>Member</td>
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<tr>
<td></td>
<td>Member of Sustainable Investment Committee</td>
</tr>
<tr>
<td>Net Zero Asset Managers initiative</td>
<td>Signatory</td>
</tr>
<tr>
<td>Principles for Responsible Investment</td>
<td>Founding signatory</td>
</tr>
<tr>
<td>Task Force on Climate-related Financial Disclosures (TCFD)</td>
<td>Supporter</td>
</tr>
<tr>
<td>Transition Pathway Initiative</td>
<td>Supporter</td>
</tr>
<tr>
<td>UN Global Compact</td>
<td>Active participant</td>
</tr>
<tr>
<td>UK Sustainable Investment and Finance Association (UK SIF)</td>
<td>Member</td>
</tr>
</tbody>
</table>
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 the section focusing on Principle 4, including progress and outcomes.

COLLABORATION ON FIXED INCOME ISSUES

Details on Insight’s collaborative engagements in 2021 with particular relevance to fixed income markets are offered below.

These collaborative initiatives are selected because they each align with our principal asset classes 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 Insight Responsible Investment Team and/or the investment teams are directly involved in each of these initiatives:

• PRI Advisory Council for Credit Risk and Ratings: Insight has supported the initiative since inception in 2016 and remained a member of the Council through 2021. The group has been instrumental in creating a new movement among rating agencies to proactively integrate ESG factors into credit valuations.
  
  **Outcome:** In 2021, Insight participated in two small working groups, one focusing on ESG data and a second focusing on investment consultants. Conversations were organised with several ESG data vendors to discuss how they prioritise fixed income investments. In 2022 a working paper from the group will be produced outlining areas for development. The investment consultant group focused on raising awareness of fixed income investors. This involved meetings and hosting an industry webinar, which Insight presented on in 2021.

• ESG disclosures in ABS markets: In 2021, we started meetings with issuers to explore the potential for improved ESG disclosures. These engagements led to the production of proposed KPIs for auto ABS and residential MBS. We also participated in a call with ESMA, the European regulator, to discuss the importance of ESG disclosures and our suggested KPIs.
  
  **Outcome:** The working group produced recommendations and we anticipate a regulatory consultation in 2022. More information on this initiative and the rationale can be found in the sections focusing on Principles 4, 7 and 9.

• ESG disclosures in the loan market: In 2021, Insight joined the European Leveraged Finance Association and is a member of the organisation’s ESG Committee. We will help drive an initiative focused on working with third-party agencies to increase the number of leveraged finance companies they analyse and rate.

COLLABORATION ON SUSTAINABILITY ISSUES

Details on Insight’s collaborative engagements in 2021 with particular relevance to sustainability are offered below.

These collaborative initiatives are 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+: As explained in the section focusing on Principle 4, climate change is one of the world’s most pressing issues. It is of critical importance to Insight as we look to mitigate our investment exposure to climate risk in pursuit of our net zero by 2050 target. Climate Action 100+ is aligned with our stewardship approach as we prefer to engage rather than divest to support the transition to a low carbon economy.
  
  We will be further expanding our involvement in Climate Action 100+ in 2022, after undergoing a comprehensive exercise to agree which companies we want to target.
  
  We agreed a number of additional companies to join the collaboration groups, based on criteria such as size of AUM and Scope 1 and 2 emissions.
Some examples of engagement outcomes are included below:

- **Climate Action 100+ engagement with Enel**: Insight is supporting the collaborative engagement with Enel and has been part of the investor group working on the collaboration since 2017. We have exposure to the issuer’s bonds through active and buy-and-maintain portfolios and the company faces challenges and opportunities as a utility provider transitioning to a low-carbon economy. Enel has a growing renewable energy capacity exposure and is heavily involved in green bond markets, where Insight also has exposure. Enel also has legacy coal power generation assets that present various credit risk to investors if they are not managed comprehensively. Engaging with Enel through the collaborative forum since 2017, Insight has participated in regular calls with investors and company management (see graphic below). This includes senior executives and board members over recent years.

  **Outcome**: There has been a noticeable improvement in Enel’s communication and leadership in our view (see graphic below).

- **Climate Action 100+ engagement with BHP**: Insight is supporting this engagement as we have significant exposure to these issuers’ bonds – particularly in buy-and-maintain mandates and in active credit portfolios – and want to support the company’s transition to a low-carbon economy. BHP is a mining, metals and petroleum company, and produces copper, iron ore, nickel, coal, petroleum and potash.

  **Outcome**: In 2021, the company announced it was selling its remaining coal assets. While this reduces BHP’s direct carbon impacts and helps it to focus on other critical materials likely to be central in a low-carbon economy, the coal exposure is being transferred to another entity, meaning the coal impacts and risks will now sit with a different company with which Insight does not have a direct engagement.

- **Climate Action 100+ engagement with PEMEX**: In 2021, Insight participated in a new collaborative engagement focusing on PEMEX. There have been several interactions with the investor group but no tangible outcomes from the company at this stage, as the issuer has not been responsive to our requests to engage.

  **Outcome**: More work is expected over 2022, and we will look for opportunities to meaningfully engage with the investor group and issuer, on issues such as methane emissions.

- **Climate Action 100+ engagement with Marathon Petroleum**: In 2021, Insight directly engaged with Marathon Petroleum, an integrated, downstream US energy company, operating the largest crude oil refining system in the US. In 2020, the company had established a 2030 reduced emissions intensity target, and was the first independent US downstream company to link such a target to executive remuneration. Through two meetings in 2021 we encouraged it to adopt a net zero strategy, reviewed its emission reduction goals and progress towards them, and questioned the apparent disconnect between the company’s stated

### How Enel became a climate champion after a multi-year collaborative effort

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>Enel signs up to TCFD initiative</td>
</tr>
<tr>
<td>2018</td>
<td>Discussions with Chile for gradual decommissioning of three coal-fired electric power plants, managed by Enel subsidiary</td>
</tr>
<tr>
<td>2019</td>
<td>Enel issues inaugural sustainability-linked bond</td>
</tr>
<tr>
<td>2020</td>
<td>Enel signs up to Science-Based Targets initiative</td>
</tr>
<tr>
<td>2021</td>
<td>Enel targets 74% reduction in coal use 2018-22</td>
</tr>
</tbody>
</table>

- **Climate Action 100+ initiative launched.** Insight prioritises largest holdings against MSCI ESG ratings methodology. Enel one of two issuers elected.

- **Met Enel investor relations and sustainability representatives to prioritise taking leadership on coal power, the area we identify as having greatest credit risk.** Meeting with CFO to discuss ESG risks, strategy and green bond issuance. Company had taken steps to issue green bonds but strategy was not fully embracing low-carbon.

- **Vetted nominations list, leading to a climate expert being appointed to the board – the first time a board nomination process has been used in this way in Italy.**

- **Meeting with chair of the Board of Directors to discuss strategy, prioritisation and green financing agenda.**
commitments and the lobbying position of related industry trade associations

Outcome: Marathon continues to make progress towards improving its carbon transition credentials but outcomes can be gradual. We will continue to monitor in 2022 and seek to accelerate the implementation of recommendations where possible.

– New for 2022 – Climate Action 100+ engagement with oil and gas companies: In 2022, Insight formally joined collaborative initiatives focusing on three new oil and gas companies. These companies were selected because they represent significant constituents of fixed income corporate benchmarks relevant to portfolios that Insight manages for its clients. The companies also have significant environmental impacts, and we believe they are likely to encounter rising credit risk issues during the climate change transition. We anticipate slower progress for these issuers in achieving positive sustainability outcomes but believe collaborative pressure increases the likelihood of a gradual improvement in performance (such as setting and achieving carbon reduction targets).

• IIGCC group focused on portfolios aligned with a two-degree world: Insight is a member of the net zero stewardship group, with regular engagement working towards effect stewardship to complement Net Zero commitments.

Outcome: This effort is ongoing and in 2021 we signed up to the Net Zero Asset Managers initiative, for which the IIGCC is the secretariat. Further, we participated in a net zero stewardship programme with other investors to set out best practice stewardship; a position paper is expected to be published in 2022.

Insight also participated in a collaborative group focusing on setting a framework for best practice stewardship as part of net zero strategies. This involved Insight participating in group calls and reviewing working documents, sharing our feedback. Our focus particularly focused on fixed income. In 2022 the document was finalised and published.

• CDP engagements to encourage greater transparency: CDP (formerly known as the Carbon Disclosure Project) data is a key input into Insight’s Prime climate risk ratings; inadequate disclosure undermines efforts to support a low-carbon economy by making it more challenging to evaluate climate action performance. Insight has been a lead and co-signing investor in CDP’s Non-Disclosure Campaign, which targets companies who are in material sectors and do not report to CDP currently. In 2021, Insight targeted five companies for engagement through a CDP-led initiative, encouraging them to report their climate-related activity through the annual CDP reporting framework. The companies include four E&P issuers and one automobile manufacturer.

Outcome: This effort is ongoing. As at the end of 2021, two issuers have started reporting their emissions activity to CDP. We continue to engage directly with issuers who are not reporting in order to improve disclosure. For 2022, Insight has identified a further 21 companies to engage with to improve transparency on their water and carbon activities.

• UK social housing sustainability reporting: Insight previously participated in a working group seeking to encourage investment in social housing by establishing standards for the sector’s reporting on ESG criteria. Insight has invested in the housing association sector on behalf of its clients, and we believe it often underplays its best-in-class approach to ESG issues.

Outcome: In 2021, a website was launched introducing the group’s work and setting new ESG KPIs. This came after the working group published a white paper in 2020 on the topic, proposing reporting criteria and themes for adoption by the sector.

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42 https://esgsocialhousing.co.uk/
Insight, where necessary, escalates stewardship activities to influence issuers.

Overview of Insight’s response to Principle 11

Key statements

Context

• Our stewardship prioritisation takes an expert-led and informed approach involving multiple internal stakeholders specific to the needs of each asset class or strategy. Different investment teams have their own escalation processes and priorities.

Activity and outcomes

• We outline how we approach escalation across different areas of our business, covering:
  – Escalation of issues affecting risk management and LDI
  – Escalation of issues affecting fixed income investments
  – Escalation of market-wide and systemic issues
  – Escalation approach followed by new Ratings and Exclusions Group
11.1 CONTEXT

A lack of engagement, meaning we do not receive the disclosures or transparency we require, will lead us to avoid investing in an entity, or to divest a holding if we already hold an issue. As explained in the section focusing on Principle 9, if a meeting with relevant management or officials is not possible, we will seek to engage via other routes, including by contacting the company’s broker or board, or by leading or joining a collaborative initiative 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 the section focusing on Principle 9 we outline our efforts across investment grade credit (which includes active and buy-and-maintain approaches), high yield debt, sovereign debt, emerging market debt and secured finance.

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. 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 green bond framework, we provide feedback to the banks which arranged the transaction, which reiterate our views to the issuer. This process of immediate escalation best suits active investment grade strategies where portfolio turnover is relatively high and the time to undertake escalated engagements short.

For buy-and-maintain strategies, where bonds are typically held to maturity, the escalation process takes place through the monthly buy-and-maintain meeting. At this meeting, chaired by the Head of Strategic Credit, proprietary ratings and data for each issuer are scrutinised by analysts and the relevant portfolio managers. Where an issuer’s rating has deteriorated to worst-in-class, engagement with the issuer will be sought to understand why the change has occurred and if we can encourage improvement. This will result in the issuer being placed on ‘hold’ (i.e. no new holdings will be added) and a series of engagements will occur over the following six to 24 months. 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) was introduced in 2021 as the key internal group for proposing firm-wide exclusion policies and confirming changes to Insight exclusion lists and Prime ESG ratings for Insight and its affiliates. Among other activities, the Group 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. For full details on the REG please see the section focusing on Principle 2.

Escalation in action

CASE STUDY: Taking action after no response from a Portuguese energy company

- **Objective**: We sought to address the company’s lack of disclosures, with no report focused on ESG issues and unclear environmental policies and targets. We believed, based on its rating, that the company might need to enhance its ESG strategy and disclosures.

- **Activity**: In Q3 2021, we engaged with a Portuguese energy company with a worst-in-class Prime corporate ESG rating. Our analyst sought to engage with the company several times. The company did not engage.

- **Outcome**: Given the worst-in-class rating and loss of momentum in its bonds’ performance, we sold the company’s bonds in our actively managed funds and sold its longer-dated bonds from almost all strategic credit portfolios, where client guidelines allow. We will not buy its debt until we are satisfied with the company’s ESG strategy and its approach to engagement improves.
Escalation within Insight’s Responsible Horizons strategies

Many investors are looking to achieve a positive environmental or social impact, and to invest in sustainable businesses that will stand the test of time. For this reason, in 2020 we created a clear set of qualification criteria for Insight strategies which have been specifically designed for investors seeking responsible investment outcomes. These strategies are collectively known as Responsible Horizons strategies.

**Responsible Horizons strategies incorporate a clear escalation policy for engagement:** when deteriorating ESG performance in a holding is detected – which may be indicated by a worsening Prime corporate ESG rating, for example – Insight will consider whether to continue to hold the position and, if so, will engage with management with a view to influencing their future behaviour. If no improvement is observed, the strategy will reassess its holdings in the company’s bonds.

More information on the Responsible Horizons strategies is provided in the section focusing on Principle 7.

**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 2021 there were no new escalated issues. More information on the range of issues and our efforts to highlight material

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**CASE STUDY: Engagement with an oil major to raise concerns on its strategy to reduce emissions**

- **Objective:** Our objective for the engagement was to raise our concerns that the emissions reductions strategy of the company, a global oil major, was insufficient, given it targeted less than half its total carbon emissions. In our investment universe, the company is one of the largest carbon emitters in absolute terms, but is a clear laggard in how it will mitigate climate risk (the company has a Prime climate risk rating of 5, the worst possible rating). We believe this is not reflected in the market pricing of the company’s bonds.

- **Activity:** In Q2 2021, we engaged with the company to discuss and highlight our concerns.

- **Outcome:** We were not satisfied with the company’s response to our concerns. While we consider its default risk to remain very low, we have sold its longer-dated bonds from almost all strategic credit portfolios, where client guidelines allow. We will monitor the evolution of the company’s climate strategy – we expect pressure from other investors and stakeholders to build.
issues facing our clients is detailed in the section focusing on Principle 4.

Insight embeds ESG analysis in our LDI portfolio management process and we engage actively with bond issuers and counterparties, as outlined in the section focusing on Principle 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 CCC is the governance body that reviews all issues of concern regarding our counterparties on a monthly basis, 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 issues were sent for escalation in 2021.

We 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 2021 sustainability-focused engagement programme was introduced (starting in 2022) that includes counterparty engagement targets and an escalation process.

This includes potential enforcement actions with activities overseen by the CCC. These may include:

- A recommendation to reduce/stop Insight participation in impacted counterparties’ green or social bond issuance programmes.
- A letter from Insight’s CEO outlining fundamental concerns with the counterparties’ approach to addressing the ESG issues identified.
- Broader engagement is initiated with creditors, shareholders and clients of the underperforming counterparty to galvanise support and pressure for effecting positive change at the counterparty for the ESG issues Insight have identified.

More details on this are provided in the section focusing on Principle 9.
12 EXERCISING RIGHTS AND RESPONSIBILITIES
Insight actively exercises its rights and responsibilities.

Overview of Insight’s response to Principle 12

Key statements

Context  
- Equity holdings are limited at Insight, with equity assets accounting for less than 1% of our AUM.
- We disclose our Voting Policy. We also outline our use of proxy advisors.
- 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 2021. Our voting record is available here.
- Insight voted against four resolutions in 2021. We detail these and explain the rationale for our votes against.
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 CLIENTS ON REQUEST AND PUBLICLY THROUGH OUR ANNUAL RESPONSIBLE INVESTMENT REPORT. INSIGHT TAKES A GLOBAL APPROACH TO EXERCISING ITS RIGHTS AND RESPONSIBILITIES.

Our policies and approach to equity voting apply across our equity strategies and funds, wherever they operate. Equity holdings are limited at Insight, with equity assets accounting for less than 1% of our AUM (see the section focusing on Principle 6). Some of these assets are accounted for by equity exposure via derivatives, limiting our ability to engage through voting.

VOTING POLICY

Proxy voting is an essential part of creating shareholder value, ensuring good governance and delivering investment performance to our clients. Insight seeks to actively exercise its rights and responsibilities regarding proxy voting on behalf of clients. Insight is committed to voting all our proxies where it is deemed appropriate and responsible to do so. Insight takes its responsibility to vote very seriously and votes in the best interest of our clients in order to ensure the best client outcomes can be met.

Insight’s Voting Policy, shown below, is designed around best practice standards which we believe are essential to delivering long term value to shareholders. These principles apply across Insight for all relevant portfolios.

LEADERSHIP: Every company should be led by an effective board

- **Strategy:** The leadership should define a clear company purpose and set long term objectives for delivering value to shareholders.
- **Culture:** The board should promote a 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 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 minimise unnecessary dilution of equity and preserve the rights of existing shareholders.
- **Sustainability:** The board should take account of environmental and social issues and risks which impact their business.

STRUCTURE: The board should have clear division of responsibilities

- **The Chair:** The chair 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 dominate the board’s decision-making. There should be a clear division, between the board 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.

Insight’s Voting Policy is designed around best practice standards which we believe are essential to delivering long term value to shareholders. These principles apply across Insight for all relevant portfolios.
EFFECTIVENESS: The board should seek to build a strong institutional knowledge in order 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 effective and entrepreneurial, 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 ADVISORS

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 Analytics provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote. Where contentious issues are identified, these are escalated to Insight for further review and direction.

Individual Insight portfolios do not have separate voting policies.

In 2021, Insight undertook a review of Insight’s proxy voting guidelines to determine potential policy changes. This review included governance and environment practices. At the time of this submission no formal changes have been made.

Voting rights are monitored internally and reviewed quarterly by the Proxy Voting Group. This includes monitoring of voting activity and whether all ballots are processed correctly. In 2022, this process and its effectiveness will be reviewed.

Voting execution

Insight’s voting decisions are communicated to Minerva and submitted to shareholder meetings through a specific proxy. Insight’s operations team ensures that every time a voting submission is required, this is communicated to front office teams. The operations team will apply voting recommendations directly into Minerva’s online portal.

Insight cast its votes for 78 companies over 2021 for c.1500 resolutions.

There were no equity voting events that required escalation. There was one fixed income voting event that required escalation.

Policy on clients directing voting

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.
EXERCISING RIGHTS AND RESPONSIBILITIES

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 (such as LIBOR to SONIA transition, or if a covenant waiver is sought) we will be asked to vote on the proposals. In most instances, a credit analyst would have first met with the issuer to understand the nature of the proposal. The benefits and risks of the proposal are considered and debated by a group of senior analysts and portfolio managers at a weekly watchlist meeting. This can result in further dialogue with the issuer, as a means of trying to re-shape the proposal, to vote in favour or sometimes, to vote against. (Any issuer that has negotiated a covenant waiver is added to an internal watchlist, which provides for increased scrutiny and oversight.)

With regard to liquid bond markets, we have less opportunity to influence the existing language in bond documents than in the examples above. However, as a major investor in bond markets on behalf of our clients, banks will often approach us for our thoughts on language. This mostly takes place outside an issuer-specific context. However, there are examples where our influence can be significant.

CASE STUDY: Insight supported a challenge to a bond issuer in seeking to ensure our clients’ best interests

- **Objective:** A property company informed bondholders of its intention to prepay two bonds at par, plus accrued interest. However, bondholders asserted that under such an event, a bond ‘make whole’ premium is payable, a position with which the bond trustee agreed.

  The difference in value between the proposed prepayment and the make whole premium is very significant and would represent a substantial loss of value to bondholders.

- **Activity:** A group of bondholders, including Insight, formed at an early stage to challenge the proposal. Insight helped identify an appropriate legal counsel to represent the group.

- **Outcome:** Insight has continued to hold these bonds, believing this is in the best interests of its clients. The situation is ongoing.
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 our specialist equities and multi-asset strategies are outlined below.

**SPECIALIST EQUITIES AND MULTI-ASSET STRATEGIES – INSIGHT INVESTMENT VOTING ON MANAGEMENT RESOLUTIONS IN 2021**

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Abstain</th>
<th>Against</th>
<th>For</th>
<th>Withhold</th>
<th>Grand Total</th>
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<td></td>
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<tr>
<td>Auditor - election</td>
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<td>Auditor - remuneration</td>
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<td>70</td>
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<tr>
<td>Authorised share capital</td>
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<td>Board size and structure</td>
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<td>Capital structure</td>
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</tr>
<tr>
<td>Change of name</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Directors - elect</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>639</td>
<td></td>
<td></td>
<td>639</td>
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</tr>
<tr>
<td>Environmental practices</td>
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<td>9</td>
<td></td>
<td>12</td>
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</tr>
<tr>
<td>General meeting procedures</td>
<td>51</td>
<td></td>
<td></td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Human rights and workforce</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment trusts and funds</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
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</tr>
<tr>
<td>Issue of shares and pre-emption rights</td>
<td>1</td>
<td>199</td>
<td></td>
<td>200</td>
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<tr>
<td>Meeting formalities</td>
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</tr>
<tr>
<td>Other A&amp;R related</td>
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<td></td>
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</tr>
<tr>
<td>Other Articles of Association</td>
<td>1</td>
<td>27</td>
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<td>28</td>
<td></td>
</tr>
<tr>
<td>Other corporate action</td>
<td>1</td>
<td></td>
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<tr>
<td>Political activity</td>
<td>40</td>
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<tr>
<td>Remuneration - Amount (component, individual)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Remuneration - Non-executive</td>
<td>1</td>
<td>1</td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Remuneration - Other</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Remuneration - Policy (all-employee share plans)</td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Remuneration - Policy (long-term incentives)</td>
<td>16</td>
<td>2</td>
<td></td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Remuneration - Policy (overall)</td>
<td>15</td>
<td>3</td>
<td></td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Remuneration - Report</td>
<td>60</td>
<td>12</td>
<td></td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>Report and Accounts</td>
<td>1</td>
<td>73</td>
<td></td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>Share buybacks and return of capital</td>
<td>78</td>
<td>1</td>
<td></td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>Transactions - related party</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Transactions - Significant</td>
<td>33</td>
<td>1</td>
<td></td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>Treasury Shares</td>
<td>2</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>98</td>
<td>5</td>
<td>1,388</td>
<td>2</td>
<td>1,493</td>
</tr>
</tbody>
</table>

Insight voted on 100% of resolutions relevant for our funds and voted in line with management recommendations in c.93% of resolutions.
VOTING RATIONALE

In instances where Insight votes against management recommendations we will disclose our voting decision. In any instances where there is a conflict or potential for conflict, votes are referred to the Proxy Voting Group, established in 2020, for review. More details of the Proxy Voting Group are provided in the section focusing on Principle 2.

In 2021, we voted against the resolutions shown below:

Insight’s votes against management recommendations in 2021

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Number of actual votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor - election</td>
<td>1</td>
</tr>
<tr>
<td>Auditor - remuneration</td>
<td>1</td>
</tr>
<tr>
<td>Environmental practices</td>
<td>1</td>
</tr>
<tr>
<td>Human rights and workforce</td>
<td>1</td>
</tr>
<tr>
<td>Issue of shares and pre-emption rights</td>
<td>1</td>
</tr>
<tr>
<td>Remuneration - Amount (component, individual)</td>
<td>1</td>
</tr>
<tr>
<td>Remuneration - Non-executive</td>
<td>1</td>
</tr>
<tr>
<td>Remuneration - Other</td>
<td>1</td>
</tr>
<tr>
<td>Remuneration - Policy (long-term incentives)</td>
<td>16</td>
</tr>
<tr>
<td>Remuneration - Policy (Overall)</td>
<td>15</td>
</tr>
<tr>
<td>Remuneration - Report</td>
<td>60</td>
</tr>
<tr>
<td>Report and Accounts</td>
<td>1</td>
</tr>
<tr>
<td>Share buybacks and return of capital</td>
<td>1</td>
</tr>
<tr>
<td>Transactions - Significant</td>
<td>1</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>102</strong></td>
</tr>
</tbody>
</table>

Sample of voting decisions

<table>
<thead>
<tr>
<th>Company</th>
<th>Event</th>
<th>Resolution</th>
<th>Resolution category</th>
<th>Management recommend</th>
<th>Insight’s vote</th>
<th>Insight’s rationale</th>
<th>Vote result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>AGM</td>
<td>To amend bonus plan</td>
<td>Remuneration policy</td>
<td>For</td>
<td>Abstain</td>
<td>We had concerns over the long-term incentives set out within the policy.</td>
<td>Resolution passed</td>
</tr>
<tr>
<td>Utility</td>
<td>AGM</td>
<td>To approve the remuneration policy</td>
<td>Remuneration - Policy</td>
<td>For</td>
<td>Against</td>
<td>We felt the remuneration policy was excessive.</td>
<td>Resolution passed</td>
</tr>
<tr>
<td>Oil</td>
<td>AGM</td>
<td>To request that the Board set and publish targets aligned with the Paris Climate Agreement</td>
<td>Environmental Practices</td>
<td>Against</td>
<td>For</td>
<td>This was a shareholder resolution, which we supported, despite management recommending to reject it.</td>
<td>Resolution defeated</td>
</tr>
<tr>
<td>FMCG</td>
<td>AGM</td>
<td>To approve the Climate Transition Action Plan</td>
<td>Environmental Practices</td>
<td>For</td>
<td></td>
<td>We supported the company’s greater application of sustainability principles into its core business activities.</td>
<td>Resolution passed</td>
</tr>
</tbody>
</table>
APPENDICES

APPENDIX I  – Insight’s corporate governance structure // 120
APPENDIX II  – Conflicts of interest policy summary // 122
APPENDIX III  – Insight’s responsible investment policies // 126
APPENDIX IV  – Insight’s risk management process framework // 128
APPENDIX V  – Key biographies // 132
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 2021:

<table>
<thead>
<tr>
<th>Committee/Group</th>
<th>Mandate</th>
<th>Meeting frequency</th>
<th>Voting members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>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.</td>
<td>At least quarterly</td>
<td>Non-Executive Director (Chairman) Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director CEO Global CIO Executive Vice Chairman Global Head of Distribution COO CFO CRO</td>
</tr>
<tr>
<td>EMC</td>
<td>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.</td>
<td>At least ten times per year</td>
<td>CEO (Chairman) COO CFO Global CIO Executive Vice Chairman Global Head of Distribution CRO Head of Human Resources CEO, North America General Counsel Head of Client Solutions Group</td>
</tr>
<tr>
<td>Risk Committee to the Board</td>
<td>The Risk Committee oversees the management of risks within Insight and oversees the production of statutory and regulatory financial information.</td>
<td>At least four times a year</td>
<td>Non-Executive Director (Chairman) Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director</td>
</tr>
<tr>
<td>Remuneration Committee (RemCo)</td>
<td>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.</td>
<td>At least annually</td>
<td>Non-Executive Director (Chairman) Non-Executive Director (Deputy Chairman) Non-Executive Director</td>
</tr>
<tr>
<td>Strategic Technology Committee (STC)</td>
<td>The STC provides oversight responsibilities with respect to the Athena technology transformation program.</td>
<td>At least quarterly</td>
<td>Independent Non-Executive Director (Chairman) COO (Deputy Chairman) Non-Executive Director Head of Athena Programme Head of Technology Change CFO</td>
</tr>
<tr>
<td>Committee/Group</td>
<td>Mandate</td>
<td>Meeting frequency</td>
<td>Voting members</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Risk Management Group (RMG)</strong></td>
<td>The RMG is the key business risk committee for oversight and maintenance of the risk management framework of IIML and its affiliates.</td>
<td>At least ten times a year</td>
<td>CRO (Chairman)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>General Counsel (Deputy Chairman)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Client Solutions Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chief Compliance Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Corporate Risk</td>
</tr>
<tr>
<td><strong>Project Management Group</strong></td>
<td>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 &amp; allocating technology resources to product teams/business change and monitoring projects and product teams.</td>
<td>At least ten times a year</td>
<td>CFO (Chairman)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Solution Management (Deputy Chairman)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>COO</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Manager</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Head of Business Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Deputy Head of Solution Design</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Athena Programme</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Technology Change</td>
</tr>
<tr>
<td><strong>Investment Management Group (IMG)</strong></td>
<td>The IMG is the key business operating committee for the investment management activities of Insight.</td>
<td>At least ten times a year</td>
<td>Global CIO (Chairman)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CIO, North America (Deputy Chairman)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CEO</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CEO, North America</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Solutions Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Specialist Equity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Multi-Asset Strategy Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Insurance and Intermediate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Trading</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Currency Solutions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Client Solutions Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Euro and UK Credit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Deputy Head of Fixed Income</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Global Credit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Deputy Head of Fixed Income</td>
</tr>
<tr>
<td><strong>Operations Management Group (OMG)</strong></td>
<td>The Insight OMG is the key business operating committee for the operations activities of Insight.</td>
<td>At least ten times a year</td>
<td>COO (Chairman)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Operations (Deputy Chairman)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Business Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Corporate Services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>COO, North America</td>
</tr>
<tr>
<td><strong>Distribution Management Group (DMG)</strong></td>
<td>This group is the operating committee for sales, marketing, client service and communication matters within Insight.</td>
<td>At least ten times a year</td>
<td>Global Head of Distribution (Chairman)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commercial Director (Deputy Chairman)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Business Development, Europe</td>
</tr>
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<td></td>
<td>Head of Marketing</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>Head of Distribution, EMEA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Client Solutions Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Business Development, InsightAustralia and New Zealand</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Portfolio Specialist, BNY Mellon APAC</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Distribution, North America</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>Head of Product Development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Insurance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Head of Consultant Relations</td>
</tr>
</tbody>
</table>
The Insight Conduct Panel

The Insight Conduct Panel (ICP) oversees the management of conduct risk within Insight together with key requirements from the Financial Conduct Authority’s (FCA) 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

This summary is published on our website [here](#).

INTRODUCTION

Our Policy details the potential conflicts of interest arising for the following Insight firms:

- Insight Investment Management (Global) Limited (IIMG): Investment Manager
- Insight Investment Funds Management Limited (IIFM): Authorised Corporate Director (ACD)
- Insight Investment International Limited (IIIL): Investment Manager
- Insight Investment Management (Europe) Limited (IIMEL): Management Company

Insight must not place its own interests unfairly above those of its customers. During the course of IIMG and IIIL’s investment management activities, IIFM’s role as the ACD to a range of pooled funds and IIMEL’s role as Management Company, from time to time the Insight firms will encounter potential situations where a conflict of interest may occur.

This policy discusses the processes in place to reduce the possibility of such conflicts arising, and if they do, the guiding principles which should be used in their management and resolution. This policy should be read in conjunction with the BNY Mellon Employee Code of Conduct which can be found [here](#).

In relation to IIFM and IMEL, in the course of performing its duties, conflicts of interest may arise between the ACD/IIMEL, the Company, the Shareholders and the Depositary. Where such conflicts of interests cannot be avoided, the ACD/IIMEL and the relevant Depositary will manage and monitor them in order to prevent adverse effects on the interest of the Company and the Shareholders. Further details of conflict are explained in the Scheme Prospectus document.

Regulatory requirements stipulate that firms cannot over rely on disclosure to clients as a way of managing conflicts of interest. Although it is unlikely that conflicts of interest will be allowed to compromise the duty Insight owes to its customers, where a situation does arise, disclosure to clients will be made if a conflict cannot be prevented and managed. For US business, disclosure is mandatory via the relevant annual ADV submission to the SEC.

REGULATORY REQUIREMENTS

Under FCA SYSC (Systems and Controls) Rules and EU Markets in Financial Instruments Directive (MiFID) requirements, a firm must maintain and operate effective arrangements with a view to taking all appropriate steps to prevent conflicts from giving rise to a material risk of damage to the interest of clients.
Various Regulators (including FCA’s Principles for Business and Central Bank of Ireland Rules) 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 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.

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. IIMG and IIMEL 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 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 BNY Mellon, 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.

POTENTIAL CONFLICTS SCENARIOS AND MITIGATION PROCEDURES TO PREVENT MATERIAL RISK TO CLIENTS

A summary of the material and relevant potential conflicts of interest identified by Insight are described in the following section together with the preventative measures to manage these.

A list of all conflicts recorded is contained within the Insight Conflicts of Interest Register. Please note that for IIFM/IIMEL the schemes’ prospectus documents make reference to specific conflicts in relation to the pooled fund business. For IIML the US related conflicts are disclosed via the SEC ADV filing.
One client/portfolio versus another client/portfolio

Insight manages portfolios across a number of clients and ranges of pooled funds for affiliate entities and therefore there is the possibility of a conflict arising between clients’ interests including those of external clients and internal affiliated entities. Also, many employees are working on activities for a number of clients.

For example, in managing portfolios where aggregated dealing activities consistently favour certain clients over others.

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 rationale in line with the FCA’s Conduct of Business Dealing, EU MiFID requirements, SEC and NFA rules.

Group and Affiliates

There is a potential conflict that arises from Insight being part of BNY Mellon which has a number of affiliated investment management entities.

For example, trade information shared with other BNY Mellon asset management boutiques, and thereby potential for them to act on inside information or deal ahead of Insight client orders.

IFM/IIMEL may appoint Insight group entities to provide services such as Investment Management.

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 the EMC 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 BNY Mellon 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.
### Potential Conflict Scenario

**Insight Interests**

Insight is a profit-making firm, therefore there is a risk that it places its interest above those of the client.

For example, there is a potential conflict that Insight (including its employees) may give or receive payments/commissions/gifts or entertainment from third parties which may influence their behaviours or induce them to act in a way that is inappropriate or unethical manner to the detriment of the clients.

**Personal Interests**

Insight employees may potentially put their personal interest above those of our clients when conducting their own personal affairs. This may cause a conflict between Insight employees and its clients.

Examples of personal interest include employees holding external offices such as directorships, trusteeships, advisory board memberships for public or private companies which are in conflict with our activities for our clients. Also, employees conducting personal trading in investments for their own personal accounts could be seen to benefit them at the expense of clients.

Employees could potentially favour clients based on personal interest such as increased remuneration and reward.

**Procedures to Prevent Material Risk to Clients**

Insight employees are bound by adherence to the BNY Mellon 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.

### 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. Any queries relating to conflicts of interest should be discussed with the Compliance Team.
APPENDIX III  INSIGHT’S RESPONSIBLE INVESTMENT POLICIES

OUR PURPOSE IS TO BUILD A BETTER FUTURE FOR OUR CLIENTS. TO ACHIEVE THIS, WE WORK TO SUPPORT STABLE AND RESILIENT SOCIAL, ENVIRONMENTAL AND ECONOMIC SYSTEMS AND EFFICIENT, WELL-MANAGED FINANCIAL MARKETS. THESE, IN TURN, WILL HELP US TO ACHIEVE OUR CLIENTS’ TARGETED INVESTMENT OUTCOMES.

INSIGHT’S RESPONSIBLE INVESTMENT POLICY

We believe integrating environmental, social and governance (ESG) issues into our investment processes, and in our dialogue with issuers and other stakeholders, supports better investment decisions and can have the potential to help our clients achieve their desired outcomes.

We aim to deliver on our commitments and our beliefs by:

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 non-financial risks and opportunities, and through operating to high ethical and professional standards.
   Responsible investment is central to our investment activities, to our culture, to our relationship with clients and to how we seek to interact with counterparties and regulators.

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 is essential to effectively identify and manage the risks that could harm clients’ investments and the opportunities that may arise from these issues.

3. Acting as effective stewards of companies and other entities
   The integration of ESG factors requires 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 engage as bondholders, counterparties and shareholders with management and other entities 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; we vote with an objective to create 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.
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 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. By doing so we can effectively and efficiently provoke change and support building a sustainable environment.

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.

The responsible investment policy has been revised for 2021 and is approved and endorsed annually by Insight’s CEO.

Key terms in this policy 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.

THE INSIGHT ENVIRONMENT POLICY

Our purpose is to create investment solutions that give clients financial certainty. This cannot come at the expense of a deteriorating natural environment or unmanageable climate-related events. We believe Insight has a responsibility to manage environment-related risks and outcomes for our clients.

It is important to examine broader environmental issues than climate change alone because we identify broader impacts from climate issues, such as on water, biodiversity, land, waste, marine life and health. Delivering on our commitment is a holistic responsibility, affecting our corporate actions, the investments we make, and interactions with the wider financial community.

The Insight Environment Policy
1. Minimise the environmental impact of our corporate activities
2. Deliver clients investment solutions aligned with their environmental objectives
3. Strive to hold issuers accountable for their environmental responsibilities
4. Manage investment environment risks and support environmental transition activities
5. Operate internal processes to manage environmental risk issues and deliver transparency
APPENDIX IV  INSIGHT’S RISK MANAGEMENT PROCESS FRAMEWORK

RISK MANAGEMENT FRAMEWORK

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

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

Insight aims for:
• forward-looking identification and assessment of potential risks considering both quantitative and qualitative impacts
• clear reporting and escalation processes to ensure that the residual risk profile of the firm is appropriate and in line with the Board’s risk appetite and the risk appetite of BNY Mellon
• timely setting and regular monitoring of actions required to reduce the risk profile or improve the control environment where these are deemed appropriate

The framework within Insight covers all levels of the firm, including business department level, team level (individual investment teams and support departments) and activity level (detailed processes and systems). It is therefore a central part of the governance structure which allows the risks arising within various entities and teams to be managed in a consistent manner.

Insight’s corporate risk governance arrangements are based on the ‘three lines of defence’ model, as shown:

- **Corporate Risk**
  - Provides independent challenge around risk and control assessments (risk log and high level risks)
  - Monitors events (breaches/losses/near misses) and works with business and Compliance to analyse root cause and to agree action plans for areas of weakness
  - Provide risk reporting to RMG and governance committees

- **Compliance**
  - Identify and monitor key Compliance risks, assess controls and give appropriate assurance to stakeholders
  - Raise awareness of regulatory change and opportunities brought about by such change
  - Deliver timely guidance and training
  - Maintain positive working relationships with regulators and group risk functions
  - Support the controlled launch of new projects, products and client transitions

- **Business Risk and Control Owners**
  - Day-to-day responsibility for adequacy of systems and controls to manage risks facing the firm
  - Work with the risk management department to assess risks and effectiveness of existing controls
  - Incident reporting
  - Works with Risk/Compliance to set action plans for breaches and incidents
  - Escalate issues to do with all of the above

- **Governing Body = EMC**
  - Recommends the risk strategy, appetite and tolerances to the Board
  - Sets policies and standards within the defined risk strategy
  - Risk assessment of current and emerging risks

- **Risk MI**
  - Independent control monitoring

- **BoNYM Internal Audit**
  - 3rd line of defence

**Apportionment of responsibility**

**Risk and control assessments**

**Corporate Risk and control functions**

- (Corporate Risk/Compliance)
- 2nd line of defence

**Business area risks and controls**

- 1st line of defence

**Ultimate responsibility for Corporate Risk**

- Insight Board delegates to EMC, EMC delegates to RMG.
Role and responsibility of the EMC and RMG

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

- recommending the risk strategy, risk appetite and tolerances of the firm to the Board
- agreeing policies and standards, in line with the risk appetite of the firm and BNY Mellon
- risk assessment through review and challenge of monthly risk reporting
- consideration of risk-related issues escalated from the RMG and risk-related challenges from the Board and Risk Committee to the Board.
- setting and monitoring appropriate risk mitigating actions

The EMC has discharged responsibility for the day-to-day maintenance and oversight of the risk management framework to the RMG. The RMG has representation across the business including Risk, Investment, 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 Distribution Management Group (DMG), Operations Management Group (OMG) and Investment Management Group (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 and General Counsel respectively. 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 which is ultimately approved by the Insight Board and by BNY Mellon as the parent company. The Compliance Monitoring Programme then 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. Insight reviews all its policies on an annual cycle as well as undertaking ongoing surveillance and thematic monitoring reviews on a regular basis.

Internal audit
BNY Mellon’s Internal Audit Department supports the achievement of Insight’s goals by ensuring that there are sound systems for the identification and appropriate management of risk, and that these are consistently adhered to by the business units. This is achieved by collaborating on the evolution of Insight’s risk management policies, monitoring risk indicators, independently reviewing and assessing the risk management systems for the various lines of business and supporting these lines of business with education and tools that increase their risk management effectiveness.

BNY Mellon’s Board of Directors, specifically the Audit Committee of the Board, is the governing body of the internal audit function. The Chief Auditor and the Internal Audit Department have a direct reporting line to the Chairman of the Audit Committee. The Chief Auditor presents to the Audit Committee as appropriate on the state of controls in the firm and also speaks regularly with the Chairman of the Audit Committee.

The Group internal audit function is independent from Insight and operates on a continual audit plan to conduct engagements in every area of the firm throughout the year. They employ a risk-based approach covering the key risks applicable to Insight including compliance, credit, fiduciary, fraud, funding/liquidity, market, processing/operational, regulatory, reporting, reputation and technology. Each of the businesses and key processes is risk assessed each year to construct the annual audit plan. Key risk categories are evaluated in each review through use of audit tests, procedures and tools consistent with the guiding principles of the Institute of Internal Auditors. In addition, the division’s ongoing monitoring programme enables the modification of the annual audit plan to address current issues and the evolving risk profile of the firm.

On a cyclical basis, the internal audit function reviews and validates the effectiveness and application of internal controls and reliability of data that is developed within the firm, evaluates the sufficiency of and adherence to plans, policies
and procedures, and compliance to laws, regulations and sound fiduciary principles, determines that transactions are executed in accordance with management’s authorisation and reviews the adequacy of controls for safeguarding assets and, when appropriate, verifies the existence of assets. Typically, each area is audited every two years.

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

Insight’s risk management activities are subject to internal audit inspection by a specialist team which reports centrally to the Audit Committee within BNY Mellon. The internal audit function independently reviews, monitors and tests Insight’s compliance with risk policies and procedures and assesses the overall effectiveness of the risk and capital management frameworks. It also provides assurance to the Insight Board on the effectiveness of the control framework in place, including the way the first and second lines of defence operate. The scope of work of Internal Audit is set independently of Insight and results of audits are also reported to the appropriate committees within the Group.

External audit

Our external auditor KPMG conducts an annual assurance review (SOC1) of Insight’s internal processes and controls, including the governance structure that underlines our approach to responsible investment, under the following standards:

- SSAE 18 ‘Reporting on Controls at a Service Organisation’, issued by the American Institute of Certified Public Accountants.
- ISAE 3402 ‘Assurance Reports on Controls at a Service Organisation’ set out by the International Auditing and Assurance Standards Board.

Whilst the review does not explicitly cover Insight’s stewardship activities it does provide assurance on key investment management controls, including, but not limited to:

- Guideline management
- Proxy voting
- Conflicts of interest
APPENDIX V  KEY BIOGRAPHIES

THIS SECTION CONTAINS BIOGRAPHIES OF KEY INDIVIDUALS AT INSIGHT ACCOUNTABLE FOR ASPECTS OF STEWARDSHIP AND RESPONSIBLE INVESTMENT, EITHER FOR THE BUSINESS AS A WHOLE, SPECIFIC DEPARTMENTS, INVESTMENT RESEARCH OR PORTFOLIOS.

Insight’s Responsible Investment Team: leveraging firm-wide ESG-focused resources

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<tr>
<th>Position</th>
<th>Name</th>
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<tbody>
<tr>
<td>Co-Head Fixed Income</td>
<td>Joshua Kendall</td>
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<tr>
<td>Head of Responsible Investment</td>
<td>Robert Sawbridge</td>
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<tr>
<td>Credit Analysis</td>
<td>Carly Thomas</td>
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<tr>
<td>Portfolio Management</td>
<td>Fabien Collado</td>
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<tr>
<td>Macro Research</td>
<td>Annabel Jennings</td>
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<tr>
<td>Fixed Income Product Specialists</td>
<td>Tudor Thomas</td>
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<td>ESG Portfolio Manager</td>
<td>Tom Badger</td>
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<td>Graduate ESG Analyst</td>
<td>Alex Verissimo</td>
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<td>Client Reporting</td>
<td>Lucy Speake</td>
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<td>Marketing (1)</td>
<td>Rhona Cormack</td>
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<td>Technology (3)</td>
<td>Carly Thomas</td>
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<td>Business change (5)</td>
<td>Fabien Collado</td>
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<td>Guidelines and coding (3)</td>
<td>Tom Badger</td>
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<td>Compliance (2)</td>
<td>Alex Verissimo</td>
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<td>Legal (1)</td>
<td>Tudor Thomas</td>
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<td>Product development (4)</td>
<td>Rhona Cormack</td>
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<td>Co-Head Fixed Income</td>
<td>Joshua Kendall</td>
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<td>Head of Responsible Investment Research and Stewardship</td>
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<td>Stewardship</td>
<td>Rhona Cormack</td>
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<td>Consultant Relations</td>
<td>Tudor Thomas</td>
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<td>Market and Regulatory Reform</td>
<td>Alex Verissimo</td>
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<td>Counterparty Management</td>
<td>Tom Badger</td>
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<td>Client Directors (1)</td>
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<td>Solution Specialists (2)</td>
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As at April 2022. The numbers in brackets denote aggregate FTE dedicated to responsible investment (41 FTE including 9 dedicated employees and 32 where responsible investment accountabilities form part of broader roles). Where FTE is not marked, this indicates that the group provides support through their activities. Note: the ESG objective weighting (10%) applicable to all colleagues in 2022 is not reflected.
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.
Robert Sawbridge, CFA  
**Head of Responsible Investment**

Robert 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. Such solutions are subject to discussion and approval by dedicated fixed income implementation groups, whose members consist of investment desk heads, for the various asset classes in which we invest. He joined Insight in 2008 as a Solutions Specialist in the Financial Solutions Group before moving across to the Fixed Income Group as a Credit Analyst in March 2012. In May 2014 he became a European fixed income Portfolio Manager where his focus has gradually evolved to centre on ESG solutions. 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.

Joshua Kendall  
**Head of Responsible Investment Research and Stewardship**

Joshua joined Insight in May 2015 and supports Robert in ESG integration activity with a specific focus on Insight’s stewardship programme. Joshua has responsibility, along with our Corporate Risk Team, for managing the scope, procedures and documentation for our internal responsible investment governance activities, ensuring they are codified and structured to support effective decision-making, improve accountability and ensure transparency. Such documentation is reviewed and approved by the IROC. Additionally, Joshua ensures that research and engagement is conducted on a consistent basis, across all asset classes, by all investment professionals. Joshua sits on the Investment Association Sustainable and Responsible Investment Committee, the PRI Advisory Council on Credit Ratings and the Green and Social Bonds Advisory Council at ICMA. Prior to joining Insight, Joshua held a variety of responsible investment roles, including at MSCI, GMI Ratings and UN Principles for Responsible Investment. Joshua holds an MSc in Corporate Governance and Business Ethics from the University of London and a BA (Hons) in Politics and Modern History from the University of Manchester. He also holds the Investment Management Certificate from the CFA Society of the UK. Joshua’s book Responsible Investment in Fixed Income: A Practitioners’ Guide is scheduled for publication in 2021.

Rhona Cormack  
**Senior Stewardship Analyst**

Rhona joined the Responsible Investment Team within the Fixed Income Group in November 2021, responsible for leading Insight’s ESG engagement activities. Prior to Insight, Rhona was a Manager in the Climate Change and Sustainability Services at EY and, before this, an Environmental Scientist at RPS, providing sustainability and energy consultancy to their customers. Rhona holds an MSc in Sustainability and a BA in Geography from the University of Leeds. She also holds the Certificate in ESG investing from the CFA Institute and the ISO 14001 Lead Auditor certification from the IEMA.
Carly Thomas
ESG Investment Specialist
Carly is an ESG Investment Specialist within Insight’s Client Solutions Group, focussed on client engagement and reporting, as well as strategic responsible investment projects. She joined Insight in January 2022 from Nationwide Building Society, where she was the Senior Manager for Investor Relations and Treasury Sustainable Finance in the Treasury Team, responsible for the development and delivery of the Treasury Sustainability and Investor Relations strategies. She led the delivery of the Society’s inaugural Sustainability Report in 2019, whilst influencing the Board to sign up to various ESG charters. Carly was responsible for all credit and ESG investor engagement, as well as the relationships with ESG rating agencies, achieving multiple upgrades over the years. She also represented Treasury on the Scope 3 & Science Based Targets working group. She initially joined Nationwide’s graduate scheme in 2015, moving to the Investor Relations Team in Treasury in 2017. Carly graduated in 2015 from the University of Birmingham with a BSc in Chemistry.

Annabel Jennings
Graduate Analyst
Annabel joined Insight in September 2020 on the graduate programme. She is a graduate analyst, and since April 2021, has been working alongside the Responsible Investment Team, focussing on developing ESG investment solutions. She initially completed a six-month assignment within the Emerging Market Debt Team. Annabel graduated from the University of York with a BSc in Environmental Geography. She also holds the Investment Management Certificate from the CFA Society of the UK and has passed level I of the CFA programme.

Tudor Thomas
ESG Quantitative Researcher
Tudor joined Insight in April 2019 and is responsible for leading the development of the firm’s in-house ESG ratings methodology, alongside the other fixed income quantitative research priorities. Prior to Insight, Tudor was a Data Scientist at Tails.com. He has also worked with the London Fire Brigade as a Data Scientist Fellow, modelling fire risk and creating a measure of fire station preparedness. Tudor graduated from the University of Melbourne with a BSc in Mathematics and Physics. He also holds a MAST in Physics and obtained a PhD in Physics, both from the University of Cambridge.

Alexander Verissimo
Analyst
Alexander joined the Fixed Income Quantitative Research Team in September 2020, where he creates research and tooling, collaborating closely with the Responsible Investment Team, credit analysts, and portfolio managers. He initially joined Insight in September 2018 on the graduate programme, having completed placements within the Global Consultant Relationship Team, the Performance Team and the European Credit Investment Team. Alexander graduated from the University of Nottingham with a BSc (Hons) in Economics. He also holds the Investment Management Certificate from the CFA Society of the UK.

Tom Badger
Quantitative Researcher
Tom joined the Fixed Income Quantitative Research Team in January 2022, where he creates research and tooling, collaborating closely with the Responsible Investment Team, credit analysts, and portfolio managers. Prior to this, he was a Software Engineer with the Civil Service, responsible for infrastructure engineering. He had initially joined Insight in September 2019 on the graduate programme and completed various placements within the Technology Team. Tom holds a MSc in Robotics and an MEng in Mechanical Engineering from the University of Bristol. He also holds the Investment Management Certificate from the CFA Society of the UK.

QUANTITATIVE RESEARCH TEAM
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 September 2018, she was also promoted to Deputy 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.

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.

Adam Whiteley, CFA
Senior Portfolio Manager
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. 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.

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.

Simon Cooke, CFA  
**Portfolio Manager, Emerging Market Fixed Income**

Simon is an emerging market corporate debt Portfolio Manager in the Emerging Market Debt Team, with a particular focus on responsible investment and high yield. He is lead portfolio manager for Insight’s environmental, social and governance (ESG) strategies in emerging markets and global high yield, and a portfolio manager on other emerging market corporate strategies. Simon joined Insight 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.

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.

Pritesh Solanki  
**Portfolio Manager – Secured Finance**

Pritesh is a portfolio manager within the Secured Finance Team, having originally joined the team as an analyst in May 2015. Prior to Insight, Pritesh spent two years at MKP Capital Europe as an associate portfolio manager. He also worked at HSBC Global Asset Management focusing on global structured credit analysis. Pritesh holds a BSc (Hons) in Economics from University College, London and the Investment Management Certificate from the CFA Society of the UK.
Shantanu Tandon, CFA
Portfolio Manager

Shantanu joined Insight in October 2010 and is a portfolio manager within our Multi-Asset Strategy Group. Before joining Insight, Shantanu spent over four years at Architas Multi-Manager where he held fund management and research responsibilities across Axa Life entities, including Winterthur Life. He has also held positions at Mercer Investment Consulting, PwC and Investec Australia Ltd. Shantanu started his career in Australia at Retireinvest (formerly part of ING Group) in November 1998. Shantanu holds a BA (Hon) degree in Economics from the University of Delhi and an MBA from the University of Newcastle, Australia. He is also a CFA charterholder.

Andy Cawker
Head of Specialist Equities

Andy joined the Equity Team at Insight in April 2003. He is Head of Specialist Equities and has portfolio management responsibility for equity long/short portfolios. Prior to Insight, Andy was an Associate Partner at Invesco Global Asset Management (Amvescap plc) where he was involved in developing specialist UK equity business alongside the management of a range of UK and global equity portfolios. He was also responsible for pan-European analysis for the retail, food, beverages and tobacco sectors. Andy began his investment career at Prudential Portfolio Managers in 1988, ultimately becoming a Director, with responsibility for UK equities.

Tim Rees
Senior Portfolio Manager

Tim joined Insight (formerly Clerical Medical Investment Management) in May 1984 and works within our Specialist Equity Team as a UK equity income portfolio manager. Tim worked in various roles at Clerical Medical, transferring to the investment team in 1987 and then the UK Equity Team in 1990. Tim holds a BA (Hon) degree in Philosophy and Economics from the University of East Anglia.

David 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.

David Hamilton, CFA
Head of Credit Analysis, North America

David joined the Fixed Income Group at Insight in July 2014 and is the Head of Credit Analysis, North America. He has oversight of the corporate credit team based in the US and predominantly focuses on the coverage of consumer cyclical and consumer non-cyclical sectors in the US. Prior to Insight, David spent 15 years at Delaware Investments, where he held various roles, latterly as a fixed income senior credit analyst. David graduated from Millersville University of Pennsylvania with a BS degree in Business Administration in 1999. David maintains the Series 7 license with the Financial Industry Regulatory Authority (FINRA) and is a CFA charterholder.
KEY MEMBERS OF RISK MANAGEMENT (LDI) TEAM

Paul Richmond  
**Deputy Head of Solution Design, Client Solutions Group**

Paul is Deputy Head of Solution Design in the Client Solutions Group. Paul helps lead the team in the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight’s clients. Prior to joining Insight in September 2010, Paul spent five years at Hewitt Associates as an investment consultant and also four years at PwC. Paul graduated with an MA in Mathematical Sciences from Lady Margaret Hall, Oxford University in 2001. He holds the Investment Management Certificate from the CFA Society of the UK.

Joanna Howley, CFA  
**Head of Pooled Solutions, Client Solutions Group**

Joanna joined Insight in June 2014 and is Head of Pooled Solutions in the Client Solutions Group. Joanna joined from Ignis Asset Management where she was a product specialist responsible for LDI and absolute return products. Prior to this, she was a Managing Director at BlackRock where she had spent fifteen years as an LDI solutions and fixed income investment specialist. Joanna holds a BA in Natural Sciences from Cambridge University and has completed the Investment Management Certificate from the CFA Society of the UK. She is also a CFA charterholder.

Robert Gall  
**Head of Market Strategy**

Robert joined Insight in October 2003 as Co-Head of UK Fixed Income. In 2007, he moved to Insight’s Financial Solutions Group as Head of Market Strategy, responsible for the discretionary hedge management process. He began his career at Schroders managing UK and European fixed income and in 2001 he was appointed Head of UK Fixed Income. He was appointed Head of European Fixed Income at Schroders in 2003, prior to joining Insight. Robert graduated from Queens’ College Cambridge in 1992 where he read Economics and has been an Associate of the CFA Society of the UK since 1996. He is a member of the Bank of England Working Group on Sterling Risk-Free Reference Rates and the Bank of England SONIA Stakeholder Advisory Group.

Diane Stanning  
**Head of LDI Fund Management**

Diane joined Insight in October 2006 and was appointed Head of LDI Fund Management in November 2015. She is responsible for the design and implementation of liability driven investment strategies for pension fund clients, with a focus on managing Insight’s LDI pooled funds. She previously spent 14 years at Schroders, latterly as Head of the UK Multi-Asset Solutions Team. She has over 25 years’ investment experience spanning both UK and overseas institutional markets, with involvement in formulating asset allocation decisions, managing multi-asset portfolios and the use of derivatives and risk management techniques. Diane holds a BA honours degree in Mathematics from Oxford University and is an Associate of the CFA Society of the UK.
Nick Ivey, CFA  
Senior Solution Designer, Client Solutions Group  
Nick joined Insight in September 2014 and is a Solution Designer in the Client Solutions Group. Nick works on the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight’s clients. Prior to joining Insight, Nick spent four years at Aon Hewitt as a consultant providing investment advice across a range of areas including asset-liability modelling, asset allocation, liability risk management and manager selection to pension funds. Nick holds a BA first class honours degree in Economics and Management from the University of Oxford. He also holds the Investment Management Certificate from the CFA Society of the UK and is a CFA charterholder.

Emily Tann  
Solution Designer, Client Solutions Group  
Emily joined Insight in July 2019 and is a Solution Designer in the Client Solutions Group. Emily works on the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight’s clients. Prior to joining Insight, Emily spent five years at Hymans Robertson as an investment consultant. Here, she advised DB and DC pension scheme clients on funding and investment strategy, manager selection and LDI. Emily graduated from Oxford University with a Masters in Mathematics (First Class). She also has an MSc (Distinction) in Actuarial Science from Cass Business School and is a Fellow of the Institute and Faculty of Actuaries.

Lauren Brady  
Solution Designer, Client Solutions Group  
Lauren joined Insight in November 2019 as a Solution Designer in the Client Solutions Group. Lauren works on the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight’s clients. Prior to joining Insight, Lauren spent eight years at PwC, latterly as an investment consultant. Here, she advised clients on pensions and investment strategy, with a particular focus on cashflow driven investing and streamlining pension fund governance. Lauren graduated from Bristol University with a BA in Philosophy. She is also a Fellow of the Institute and Faculty of Actuaries.

Chloe Cunningham  
Graduate Solution Designer, Client Solutions Group  
Chloe is a solution designer in the Client Solutions Group. Chloe assists the team of solution designers, working on the design and delivery of investment solutions tailored to address the specific risk and return objectives of Insight’s clients. Specifically, she has focussed on researching climate reporting for gilts and green gilts. She joined Insight in September 2020 on the graduate programme. Chloe graduated from Gonville and Caius College, University of Cambridge with a BA (Hons) in History and Management.

MARKET AND REGULATORY REFORM FUNCTION

Vanaja Indra  
Market and Regulatory Reform Director  
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.
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.

Sophia Harrison
Client Director, Client Solutions Group

Sophia joined Insight in September 2020 as a Client Director, with a focus on servicing mainly segregated pension fund clients investing in a range of asset classes and funds. Prior to Insight, Sophia spent two years at Cardano as a Senior Client Manager responsible for managing relationships with fiduciary management clients and also leading the ESG development project. Before this, in 2011, she started her first tenure at Cardano as a Client Manager and subsequently became an LDI Portfolio Manager, where she managed segregated LDI portfolios. She started her career in financial services in 2006 as an Associate at Punter Southall before becoming a Senior Associate at P-Solve. Sophia graduated from Jesus College, University of Cambridge with an MA in Aeronautical & Aerospace Engineering. She is also a Fellow of the Institute of Actuaries in the UK.

Blanca König, CFA
Client Director, Client Solutions Group

Blanca joined Insight in December 2018 as a Client Director. Prior to Insight, Blanca spent three years at DWS, latterly as the Head of Index Investment Specialists, where she also oversaw the structuring of the fixed income ETF range. She started her career in financial services at BlackRock (formerly BGI) in 2003 in business development. She went on to hold various roles including Fixed Income Investment Specialist and Senior Sales Strategist. Blanca graduated from Berufsakademie Berlin, Germany, with a Diplom Betriebswirt (BA equivalent) in Business Administration and Finance. She is also a CFA charterholder.

Victoria May, CFA
US Responsible Investment Lead and Co-Head of Relationship Management

Victoria joined Insight in 2014 as one of the earliest members of our US office. With over 25 years of industry experience in institutional fixed income investing, Victoria leads Insight’s responsible investment/ESG initiatives in North America and is responsible for managing many of the firm’s most sophisticated client relationships. Victoria is a member of a variety of global working groups including Insight’s Responsible Investment Oversight Committee and she leads the US ESG Management group. She is a member of the Defined Contribution Institutional Investment Association (DCIIA) ESG Subcommittee. Previously, Victoria spent over 15 years as a senior client portfolio manager and institutional client team leader at JP Morgan Asset Management. Victoria was the lead client portfolio manager for a broad range of institutional accounts in the JP Morgan Global Fixed Income Group and subsequently the Asset Management Solutions – Global Multi-Asset Group. Prior to JP Morgan, she was employed as a specialty product manager at PIMCO. Victoria holds a BA from Cornell University, an MBA in Finance and International Business from Columbia University’s Graduate School of Business and she is a CFA charterholder. She is a Founder of the Columbia Business School Women’s Circle and a member of the President’s Council of Cornell Women (PCCW).
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 and charges and these can have a material detrimental effect on the performance of an investment.

Any target performance aims are not a guarantee, may not be achieved and a capital loss may occur. Funds or 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.

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 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.

Insight applies a wide range of customised ESG criteria to mandates which are tailored to reflect individual client requirements. Individual investor experience will vary depending on the investment strategy, investment objectives and the specific ESG criteria applicable to a Fund or portfolio. Please refer to the investment management agreement or offering documents such as the prospectus, Key Investor Information Document (KIID) or the latest Report and Accounts which can be found at www.insightinvestment.com and where applicable information in the following link for mandates in scope of certain EU sustainability regulations https://www.insightinvestment.com/regulatory-home/sustainability-regulations/; alternatively, speak to your main point of contact in order to obtain details of specific ESG parameters applicable to your investment.

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. 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.
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