RESPONSIBLE INVESTMENT GLOSSARY

INVESTORS FACE A WIDE VARIETY OF TERMS RELATING TO RESPONSIBLE INVESTMENT AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS. THIS GLOSSARY AIMS TO DEFINE AND CLARIFY COMMON TERMS USED BY INSIGHT INVESTMENT WHEN DESCRIBING OUR RESPONSIBLE INVESTMENT EFFORTS AND INITIATIVES.

KEY TERMS

Environmental, social and governance (ESG)

ESG refers to a broad range of topics, each of which may be subject to a range of regulatory standards and subjective points of view. For investments, depending on the nature of the strategy, ESG criteria may be assessed for:

- their impact on the potential financial return of an investment, and/or
- the potential positive or negative impact that an investment might have regarding those criteria (including any potential short-term or long-term feedback loop).

Environmental criteria include the impact an entity may have on the environment, such as its carbon footprint. Social criteria include how an entity manages relationships with employees, suppliers, customers, and the communities within which it operates. Governance includes an entity's leadership structures, executive pay, audits, internal controls, and shareholder rights. The relevance and materiality of these factors will vary for different entities and investment types, and in some situations can be dynamic (i.e. they may be less relevant today, but are likely to be relevant in the future).

Stewardship

Stewardship refers to the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. Codes exist to offer guidelines for asset owners, asset managers and service providers seeking to demonstrate good stewardship, such as the UK Stewardship Code and Shareholder Rights Directive II.

Responsible investment

Responsible investment is an overarching term which covers many of the same areas as stewardship. Used broadly, responsible investment incorporates the stewardship of client assets, including active engagement with entities (and voting, where appropriate) and relevant advocacy strategies that help contribute to long-term outcome goals.

However, the term is often also deployed more narrowly to describe an investment approach which incorporates ESG factors within the investment decision-making process. Typical manifestations of this approach may include ESG integration, sustainable investment and impact investment.

At Insight, while responsible investment is often used as an umbrella term, ESG integration represents its core manifestation and is typically approached through a risk and financial materiality lens.

ESG integration

The integration of ESG factors refers to the inclusion of ESG risk factors alongside other financial risk factors in investment analysis and research to judge the fair value of a particular investment. It 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. Such an approach can apply across a broad range of investment strategies, whether or not a strategy's investment objective includes ESG criteria or goals.

The term 'ESG integration' typically refers only to risk analysis focusing on the financial value of an investment, and not to other related activities. The opportunities and techniques used to integrate ESG risk analysis will vary by asset class.

ESG ratings

ESG ratings are measures used to indicate an entity's exposure to and management of ESG risks, and/or their performance with regard to ESG-related issues. ESG ratings may be provided by a third party or generated internally by an investment manager. ESG ratings may be updated at different frequencies, depending on the publication frequency of underlying data.

Analysts and portfolio managers may use ESG ratings to help ensure a consistent approach to measuring the performance of an entity with regard to ESG risks/factors and to track progress over time. Ratings and their underlying data can help to pinpoint areas for further research, identify opportunities for engagement with an entity, and compare peers.

Given the vast amount of ESG data available and differences in data quality, availability and the frequency of updates, ESG ratings are typically based on ESG data compiled from a range of reliable sources. How the data is processed and weighed to generate ESG ratings differs from provider to provider, and so ESG ratings generated by different methodologies can indicate very different assessments.

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. The decision to invest will be taken in the context of the ESG criteria reflected in an investment objective, the guidelines set by the client and the impact of the holding on the portfolio risk and return characteristics. Portfolios with ESG or sustainability criteria may specify that a particular ESG rating, or a change in a rating, prompts an investment review or decision that may result in adjusting portfolio holdings.

Notably, different asset types have different characteristics, so the relevance and materiality of ESG ratings differs, potentially widely, according to the investment structure of a specific instrument, as well as the issuer of that instrument. This means that the ability to apply ESG criteria and standards to a particular investment varies according to the asset class and financial instruments available. For example, a specific ESG risk may be material for a company's long-term business, but this may not affect whether the company is able to pay coupons due on a bond that matures within one year.

Engagement

Engagement by an investor or portfolio manager with an entity typically refers to communication to pass on information, raise questions and encourage change in behavior. There is typically no legal or regulatory requirement for an entity to act or to respond to an investor, but entities will typically engage with investors to maintain effective and efficient access to capital markets because they need investors to finance their activities. Engagement may occur on a collaborative basis, whereby investors work together to communicate with an entity.

For equity investors, engagement may include voting as shareholders to either support or challenge a company's proposals. A company's willingness to respond to wider engagement efforts by providing evidence that it is making meaningful improvements to change its behavior may influence an investor's overall view, and how they vote.

The decision to own or avoid an investment ultimately depends on a qualitative assessment of a number of issues, including the materiality of risk or risks involved, and how they are managed; the track record of management; how an entity explains its decisions, behavior and plans to investors; and how an entity compares with its peers. Engagement may therefore play an important role in developing a qualitative assessment of a potential investment.

GLOSSARY

Assessing Sovereign Climate-related Opportunities and Risks (ASCOR)

ASCOR is an investor-led project to develop a free, publicly available and independent tool for evaluating countries based on their response to climate change. The ASCOR tool comprises indicators that assess governments on their progress in managing the low-carbon transition and the impacts of climate change.

Best-in-class

This term typically refers to the best-rated issuers within a specific asset class, market or sector, with reference to their exposure to and/or management of ESG risks or a specific risk, such as climate change. The measure may be a proprietary Insight Prime ESG or climate risk rating, or another relevant measure.

A best-in-class strategy will typically focus on investments with the best possible ESG ratings, overweighting those investments, or fully excluding lower-rated investments. How a specific investment strategy defines or allocates to best-in-class assets may vary and investors should consult the relevant investment objective, policy and guidelines.

Carbon credit

A generic term for a tradeable permit that allows the bearer to emit a specified amount of CO2 or other greenhouse gas (GHG), issued as part of an emissions trading scheme.

Carbon dioxide equivalent (CO2e)

A unit to express the impact of a greenhouse gas (GHG), signified as the amount of CO2 with an equivalent impact on global warming. The amount of CO2 is commonly expressed as tons, also known as metric tons, equivalent to 1,000kg each.

Carbon emissions

This term may be used to refer to greenhouse gas (GHG) emissions, CO2 emissions, or to carbon dioxide equivalent (CO2e) emissions.

Carbon footprint

The carbon emissions associated with the activities of a person, company or other entity. It is also a measure of an entity's carbon intensity, expressing the concentration of carbon emissions for a given unit which is usually per dollar of enterprise value (or per dollar of net debt for sovereigns).

Carbon intensity

Carbon intensity measures how much carbon dioxide is generated by an entity, relative to a given unit (such as per dollar of revenue). Measures of carbon intensity include carbon footprint and weighted average carbon intensity (WACI).

Carbon neutral

For a project or entity to be carbon neutral, any CO_2 released into the atmosphere is balanced by an equivalent amount being removed. This may be achieved through financing or otherwise supporting efforts to remove CO2 from the atmosphere, such as the development of renewable energy projects or planting trees or using carbon credits or carbon trading schemes. An entity may therefore be 'carbon neutral' without reducing its emissions.

Carbon offset

A carbon offset is a mechanism by which an entity compensates for greenhouse gas (GHG) emissions by paying for an equivalent GHG reduction, such as the development of renewable energy projects or planting trees.

CDP

The CDP, formerly the Carbon Disclosure Project, runs a global disclosure system for investors, companies, cities and regions to monitor, manage and disclose their environment impact. More information is available at https://www.cdp.net.

Circular economy

The circular economy refers to an approach that seeks to eliminate waste, circulate products and materials, and to regenerate nature. The use of renewable energy and materials, and the reduction of consumption of finite resources, plays a key role. The term is typically used in contrast to a 'linear economy', which refers to the process by which resources are extracted, products are manufactured, and waste is discarded.

Climate Action 100+

This initiative aligns investor engagement to encourage the world's largest carbon emitting companies to take action on climate change. It is backed by over 700 signatories responsible for $68 trillion of assets under management, as of May 2023 More information is available at www.climateaction100.org/.

Climate risk

Climate risks that can affect the financial performance of an investment may be broadly categorized in two ways: physical risks and transition risks. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Separately, transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.

Do no significant harm (DNSH)

The 'do no significant harm' principle was introduced by the EU Sustainable Finance Disclosure Regulation (SFDR), which classes an investment as sustainable if it contributes to an environmental and social objective and does not significantly harm any other environmental or social objective.

Double materiality

Double materiality identifies data which is financially material to a given company and data about its impact on the environment, society, community and people.

Engagement

See key terms section at the beginning of this document.

Environmental, social and governance (ESG)

See key terms section at the beginning of this document.

ESG benchmark

An index or benchmark customized according to ESG criteria. An ESG benchmark strategy managed by Insight will typically be an actively managed portfolio, managed with reference to such a benchmark.

ESG enhancement

An ESG enhancement strategy managed by Insight will typically aim for an overall or average ESG score better than, and carbon intensity lower than, the strategy's reference benchmark.

ESG integration

See key terms section at the beginning of this document.

ESG risk

An ESG risk is as an ESG factor (such as climate change) that may have an impact on the financial performance of an investment.

Exclusions

This refers to excluding certain investments or classes of investment from a portfolio, typically due to business activities that are deemed unethical, harmful or illegal. For example, a portfolio may exclude companies that generate a minimum proportion of their revenue from tobacco or defense.

FAIRR Initiative

The FAIRR Initiative (FAIRR) is a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities in the global food sector. It has a mission to build a global network of investors who are aware of the issues linked to intensive animal production and seeks to minimize the risks within the broader food system by providing high quality research, facilitating collaborative engagements, and coordinating policy action for their members.

Glasgow Financial Alliance for Net Zero (GFANZ)

GFANZ is a global coalition of leading financial institutions committed to accelerating and mainstreaming the decarbonization of the world economy and reaching net-zero emissions by 2050. Financial institutions join GFANZ by joining a sector-specific alliance, such as the Net Zero Asset Managers initiative or Net-Zero Asset Owner Alliance.

Global norms

Global norms, sometimes referred to as global standards, are broadly agreed principles that set out minimum standards for the behavior of companies and governments. A prominent example is the UN Global Compact (UNGC), which aims to set out universal standards on issues including human rights, labor, the environment, and corruption. A 'global norms strategy' may seek to exclude issuers that breach norms such as those set out by the UNGC, or to allocate more to issuers that are constructively progressing such initiatives.

Green bond

A bond where the issuer specifies that the capital (proceeds) it receives from investors will be used to finance activities which have a positive environmental impact. Any entity can issue a bond it labels as ‘green’, with no fixed regulatory or legal standards defining what can be labelled as such, and the entity is free to define and decide any project funded by the bond’s proceeds.

Greenhouse gas (GHG) emissions

The UN Framework Convention on Climate Change, under the Kyoto Protocol, has identified seven gases as of particular concern with regard to climate change: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and nitrogen trifluoride. Emissions of these gases are typically converted into carbon dioxide equivalent (CO2e) units for reporting purposes.

Greenhushing

This term refers to any behavior or activities aiming to give the impression that a company is doing less to support or protect the environment than it really is.

Greenwashing

This term refers to any behavior or activities aiming to give the impression that a company is doing more to support or protect the environment than it really is.

Impact bond

A bond that specifies its proceeds will be used to have a positive environmental or social impact. These are commonly known as ‘use of proceeds’ bonds. Common types include green bonds, social bonds and sustainability bonds.

An impact bond may be equivalent to a conventional bond issued by the same entity, with similar risk/return characteristics, albeit with an additional impact commitment. A conventional bond portfolio may therefore decide to invest in an impact bond based on its financial characteristics alone.

Because impact bonds are in high demand from investors, entities have an incentive to issue impact bonds rather than conventional bonds. It has therefore become important to evaluate the issuer of an impact bond, and the issue itself, to ensure an impact bond fulfils an investor’s expectations for such issuance. Best-practice standards are evolving, with an increasing focus on the legal commitments, transparency and ongoing monitoring of the real-world impact of such a bond.

Impact investment

A broad term used to refer to investment approaches that emphasize aiming for a positive environmental and/or social impact.

Impact issuer

An issuer whose business activity is expected to contribute or lead to positive ESG impacts.

Implied Temperature Rise (ITR)

ITR is a forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of companies, portfolios and funds with global temperature goals.

Institutional Investors Group on Climate Change (IIGCC)

The IIGCC is a European membership body for investor collaboration on climate change, with 400 members representing €60 trillion of assets under management, in 2022. More information is available at https://www.iigcc.org/.

Intergovernmental Panel on Climate Change (IPCC)

The IPCC is the UN body for assessing the science related to climate change, providing regular assessments of the scientific basis of climate change, its impacts and future risks, and options for adaptation and mitigation. The objective of the IPCC is to provide governments at all levels with scientific information that they can use to develop climate policies. More information is available at https://www.ipcc.ch/.

International Energy Agency (IEA)

The IEA is an intergovernmental organization with a broad mandate, including providing statistics and analysis, and advocating for policies focused on enhancing the reliability, affordability and sustainability of energy. Its membership represents c.75% of global energy consumption. More information is available at https://www.iea.org/.

International Sustainability Standards Board (ISSB)

A standard-setting board, introduced by the International Financial Reporting Standards (IFRS) Foundation, which aims to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies’ sustainability-related risks and opportunities to help them make informed decisions. More information is available at https://www.ifrs.org/groups/international-sustainability-standards-board/.

Low carbon

A low carbon investment strategy may focus on several different measures or metrics of carbon emissions or climate change risk, with a focus towards either the mitigation of climate change, or adaptation to a low-carbon economy.

LuxFLAG

LuxFlag is a non-profit association supporting sustainable finance. It supports a range of ESG labels that aim to confirm a portfolio incorporates ESG considerations throughout the entire investment process. More information is available at www.luxflag.org/labels/esg/about-label.html.

Minimum safeguards

The minimum safeguards form part of the EU Taxonomy Regulation and aim to ensure companies engaging in sustainable activities comply with certain standards. Companies are assessed against performance criteria related to four core topics: human rights, bribery and corruption, taxation and fair competition.

National Institute Global Econometric Model (NiGEM)

A macroeconomic model used by policymakers and the private sector for economic forecasting, scenario analysis and stress testing.

Net zero

Net zero emissions refers to a reduction of greenhouse gas (GHG) emissions, with the goal of balancing emissions produced and removed from the atmosphere. Unlike a commitment to carbon neutrality, a net zero pledge will therefore include a commitment to reducing emissions.

Net Zero Asset Managers initiative

A group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner. More information is available at https://www.netzeroassetmanagers.org/.

Net-Zero Asset Owner Alliance

A group of international asset owners committed to transitioning their investment portfolios to net-zero greenhouse gas (GHG) emissions by 2050. More information is available at https://www.unepfi.org/net-zero-alliance/.

Network for Greening the Financial System (NGFS)

The NGFS is a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate and environment-related risk management in the financial sector and mobilizing mainstream finance to support the transition toward a sustainable economy. More information is available at https://www.ngfs.net/en.

Paris Agreement

The Paris Agreement is an international treaty on climate change, adopted by 196 parties at the December 2015 UN Climate Change Conference in Paris. Its goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas (GHG) emissions as soon as possible. More information is available at https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement.

Partnership for Carbon Accounting Financials (PCAF)

PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized accounting approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments. More information is available at https://carbonaccountingfinancials.com/.

Physical risk (climate change)

Physical risks resulting from climate change may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. They could include events that result in immediate disruption, such as fire, flood, coldwave, heatwave and hurricane. They could also include longer-term shifts in climate patterns, which could lead to coastal flood and water stress.

Positive impact

This term typically refers to a positive environmental or social impact, separate from the financial return of an investment. A positive impact may be achieved through an investment in an impact bond (also known as a use of proceeds bond), which commits to fund a specified project or projects with environmental or social benefits; direct engagement with a debt issuer in order to encourage a positive environmental or social benefit; or investment in issuers that are believed to confer, or be moving towards, a positive environmental or social benefit through the course of their operations.

Prime ratings

Insight's Prime ratings aim to highlight key risks and opportunities related to ESG factors and climate change, based on extensive global data and qualitative research. The ratings cover corporate and sovereign issuers based on extensive global data and qualitative research by Insight's portfolio managers and analysts. Insight's portfolio managers can use Prime ratings to help identify potential ESG risks, inform engagement with issuers and to illustrate ESG exposures within client portfolios. More information is available at https://www.insightinvestment.com/united-states/nav/responsible-investment/.

Principal adverse impact (PAI)

The negative impact of an investment decision on sustainability factors. It was introduced by the EU Sustainable Finance Disclosure Regulation (SFDR). Financial market participants and advisers need to disclose in what way their advice or their products take into account PAI indicators.

Principles for Responsible Investment (PRI)

The UN-supported PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. More information is available at www.unpri.org.

Responsible Horizons

Responsible Horizons is the name for Insight Investment's range of strategies which have been specifically designed for investors seeking responsible investment outcomes. The Responsible Horizons investment portfolios share a defined blend of responsible investment criteria, and for each strategy, additional guidelines reflecting the investment approach and asset class.

Responsible investment

See key terms section at the beginning of this document.

Science Based Targets initiative (SBTi)

This organization helps companies set emissions targets that are in line with holding global warming to well below 2°C above pre-industrial levels. Science-based targets show companies how much and how quickly they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change. More information is available at https://sciencebasedtargets.org/.

Scope 1, Scope 2, Scope 3 emissions

Greenhouse gas (GHG) emissions are typically split into three categories. Scope 1 emissions are direct emissions from sources owned or controlled by an entity. Scope 2 emissions are indirect emissions, generated by purchased energy. Scope 3 emissions are indirect emissions, not included in scope 2 emissions, that occur in the value chain of the entity. These include both 'upstream' and 'downstream' emissions. Scope 4 emissions are emissions that occur outside a product's life cycle or value chain but as a result of the use of that product.

Shareholder Rights Directive (SRD II)

This is an EU directive, which sets out to strengthen the position of shareholders and to reduce short-termism and excessive risk-taking within companies traded on EU-regulated markets.

Social bond

A bond that specifies its proceeds will be used to finance activities which have a positive social impact.

Stewardship

See key terms section at the beginning of this document.

Sustainability bond

A bond that specifies its proceeds will be used to finance activities which have a positive environmental and social impact.

Sustainability Disclosure Requirements (SDR)

Regulatory proposals in the UK, announced in October 2021, requiring listed issuers, asset managers and asset owners to report on sustainability risks, opportunities and impacts.

Sustainability-linked bond (SLBs)

Any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined sustainability or ESG objectives.

Sustainable Development Goals (SDGs)

The Sustainable Development Goals were adopted by the UN in 2015 as "a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity". There are 17 SDGs, and the goals include ending poverty and hunger, promoting health and wellbeing, and encouraging quality education and gender equality. More information is available at https://www.undp.org/sustainable-development-goals.

Sustainable Finance Disclosure Regulation (SFDR)

An EU regulation imposing mandatory ESG disclosure obligations for asset managers and other participants in financial markets.

Sustainable investment

A broad term used to refer to investment approaches that reflect one or more sustainability themes, typically focusing on the long-term impact on the environment and/or society. For example, a sustainable investment strategy may aim for a minimum allocation to investments with a positive environmental impact while also targeting a financial return.

Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions. This in turn can enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. More information is available at www.fsb-tcfd.org.

Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD aims to develop and deliver a risk management and disclosure framework for organizations to report and act on evolving nature-related risks, with the ultimate aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. More information is available at https://tnfd.global/.

Taxonomy

In the context of sustainable investment, a taxonomy is a framework aiming to set the bar for investments to be classified as environmentally sustainable. Prominent examples are the EU taxonomy and the UK green taxonomy.

Towards Sustainability

A quality standard developed by Febelfin, the Belgian financial sector federation and awarded and administered by the Central Labelling Agency of the Belgian SRI label, that certifies a financial product is managed with certain sustainable principles in mind. The methodology defines a mix of exclusion, impact, engagement, transparency and accountability requirements. More information is available at www.towardssustainability.be.

Transition Pathway Initiative (TPI)

The TPI is a global initiative led by asset owners and supported by asset managers. Aimed at investors and free to use, it assesses companies' preparedness for the transition to a low-carbon economy, supporting efforts to address climate change. More information is available at https://www.transitionpathwayinitiative.org/.

Transition risk (climate change)

Climate change is driving a broad global transition towards a lower-carbon economy. This may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change, which could present risks for investors. This phenomenon is broadly referred to as 'transition risk'.

UK Stewardship Code

A code for UK asset managers, asset owners and service providers, managed and overseen by the UK Financial Reporting Council (FRC). To become a signatory to the Code, organizations must submit to the FRC a Stewardship Report demonstrating how they have applied the Code's Principles in the previous 12 months. The FRC will assess the report and if it meets reporting expectations, the organization will be listed as a signatory to the Code. Once listed, organizations must annually report to remain signatories. More information is available at https://www.frc.org.uk/investors/uk-stewardship-code.

UN Global Compact (UNGC)

This organization supports companies that align their strategies and operations with 10 principles, covering human rights, labor, environment and anti-corruption. It also supports those that take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation. More information is available at www.unglobalcompact.org/.

Use of proceeds bond

A bond where the issuer specifies that the capital (proceeds) it receives from investors will be used to finance activities which have a positive environmental and/or social impact. These are also known as 'impact' bonds. Common types include green bonds, social bonds and sustainability bonds.

Valuing Water Finance Initiative (VWFI)

The VWFI is a global investor-led effort to engage companies with high water footprints to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems. More information is available at valuingwaterinitiative.org.

Weighted average carbon intensity (WACI)

A measure of an entity's carbon intensity, expressing the concentration of carbon emissions for a given unit which is usually per dollar of revenue (or per dollar of GDP for sovereigns).

Worst-in-class

This typically refers to the worst-rated issuers within a specific asset class, market or sector, with reference to their exposure to and/or management of ESG risks or a specific risk, such as climate change. The measure may be a proprietary Insight Prime ESG or climate risk rating, or another relevant measure.

FIND OUT MORE

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IMPORTANT INFORMATION

ASSOCIATED INVESTMENT RISKS

ESG

- **Investment type**: The application and overall influence of ESG approaches may differ, potentially materially, across asset classes, geographies, sectors, specific investments or portfolios due to the nature of the specific securities and instruments available, the wide range of ESG factors which may be applied and ESG industry practices applicable in a particular investable universe.
- **Integration**: The integration of ESG factors refers to the inclusion of ESG risk factors alongside financial risk factors in investment analysis and research to judge the fair value of a particular investment and may also include the monitoring and reporting of such risks within a portfolio. Integrating ESG factors in this way will not typically restrict the potential investable universe, but rather aims to ensure that what we believe to be relevant and material ESG risks are taken into account by analysts and/or portfolio managers in their decision-making, alongside other relevant and material financial risks.
- **Ratings**: The use and influence of our ESG ratings in specific investment strategies will vary, potentially significantly, depending on a number of factors including the nature of the asset class and the structure of the investment mandate involved. For an investment portfolio with a financial objective, and without specific ESG or sustainability objectives, a high or low ESG rating may not automatically lead to a buy or sell decision: the rating will be one factor among others that may help a portfolio manager in evaluating potential investments consistently.
- **Engagement activity**: The applicability of Insight firm level ESG engagement activity and the outcomes of this activity relating to buy, hold and sell decisions made within specific investment strategies will vary, potentially significantly, depending on the nature of the asset class and the structure of the investment mandate involved.
- **Reporting**: The ESG approach shown is indicative and there is no guarantee that the specific approach will be applied across the whole portfolio.
- **Performance/quality**: The influence of ESG criteria on the overall risk and return characteristics of a portfolio is likely to vary over time depending on the investment universe, investment strategy and objective and the influence of ESG factors directly applicable on valuations which will vary over time.
- **Costs**: The costs described will have an impact on the amount of the investment and expected returns.
- **Forward looking commitments and related targets**: Where we are required to provide details of forward-looking targets in line with commitments to external organizations, e.g. Net Zero Asset Managers Initiative, these goals are aspirational and defined to the extent that we are able and in accordance with the third party guidance provided. As such we do not guarantee that we will meet them in whole or in part or that the guidance will not evolve over time. Assumptions will vary, but include whether the investable universe evolves to make suitable investments available to us over time and the approval of our clients to allow us to align their assets with goals in the context of the implications for their investments and issues such as their fiduciary duty to beneficiaries.

Insight applies a wide range of customized ESG criteria to mandates which are tailored to reflect individual client requirements. Individual investor experience will vary depending on the investment strategy, investment objectives and the specific ESG criteria applicable to a Fund or portfolio. Please refer to the investment management agreement or offering documents such as the prospectus, Key Investor Information Document (KIID) 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.

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