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Exclusions policy for corporate and sovereign fixed income in the Responsible Horizons fund range

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Introduction

Purpose

This document sets out the exclusions for our range of Responsible Horizons funds. We believe that investors in our Responsible Horizons funds would not expect the excluded securities to form part of the portfolio. This document also sets out our opinion on additional sustainability criteria for which we currently do not have exclusions, recognising that this may change over time.

Scope

The exclusions set out in this document:

- **apply** solely to the Responsible Horizons fund range;
- **may not** be applied in respect of holdings in collective investment schemes (CIS) held within the applicable Responsible Horizons fund. Insight may, at its discretion, where the holdings of the CIS are published, assess the investments within the CIS in order to check they meet Responsible Horizons eligibility criteria and a fund's ESG objectives (including, for example, holdings in ESG exchange-traded funds, where such holdings are permissible in accordance with the fund documentation);
- **may not** be applied in respect of sovereign bonds invested in by Responsible Horizons funds for (a) liquidity purposes and/or (b) duration management for hedging and/or investment purposes or where these sovereign bonds are 'use of proceeds' bonds that pass our framework; and
- **may not** apply where exposure to an issuer is indirect (for example, via the use of derivatives).

This document is not intended to override, supplement or amend the terms of any prospectus or supplement for a fund or any contractual document with a client. This document will be applied by us to the extent consistent with our legal, contractual and regulatory obligations and within the scope of the mandate that we are appointed to manage.

Effective date and periodic updates

We endeavour to review this document at least annually. We may update this document from time to time without notice, including (but not limited to) where we believe any change is in the best interests of our clients or to reflect any applicable legal or regulatory changes or to reflect industry guidance.

Definitions

We have developed an ESG glossary document which can be found [here](#) which sets out the meaning of certain terms used within this document.

Application

In setting out our policy, we have factored in the following considerations:

- Insight's core value of 'doing the right thing';
- client feedback;
- industry best practice; and
- applicable regulatory requirements, especially the EU's 'do no significant harm' principle.

Insight recognises that the list below may be deemed to be too extensive for some investors and not broad enough for others. Insight also recognises that best-practice convention may change by jurisdiction and vary over time. As such, we have split the exclusions between the following areas:

- 1 Responsible Horizons (RH) baseline criteria which apply to all relevant Responsible Horizons funds, as set out in sections 1.1 and 2.1 of this document ("**Minimum Criteria**"); and
- 2 additional Responsible Horizons criteria which apply on a fund-by-fund basis in accordance with the product literature for the relevant Responsible Horizons fund, as set out in sections 1.2 and 2.2 of this document ("**Optional Criteria**").

The Responsible Horizons strategies currently in the range are:

- Responsible Horizons UK Corporate Bond Fund
- Responsible Horizons Strategic Bond Fund
- Responsible Horizons Multi-Sector Credit Fund
- Responsible Horizons Euro Corporate Bond Fund
- Responsible Horizons Euro Impact Bond Fund
- Responsible Horizons EM Debt Impact Fund

The list above may be amended by us from time to time without notice and without necessarily updating this document; for example, to reflect any new funds in the range.

Whilst we set out exclusion criteria for a number of different themes, including relating to environmental and social themes (including climate change), our approach in Responsible Horizons goes beyond exclusions alone. Whilst some red lines are appropriate for many funds in the range, our focus is on encouraging companies to decarbonise via positive allocation and engagement.

Additional exclusions/considerations

In addition to the Responsible Horizons range exclusions covered in this document, we have firm-wide positions on controversial weapons and thermal coal which apply to all assets under management, except where prevented by our contractual obligations and the terms of the specific client mandates that we manage.

These policies can be found here:

- [Weapons policy](#)
- [Insight's position on thermal coal](#)

Insight uses third-party data from prominent data vendors as a basis for identifying issuers that are subject to exclusions on a regular basis, based on the methodology set out below. Exclusion lists employed may not capture all of the relevant issuers and/or securities relating to a specific activity or exclusion to the extent that they are not captured by these data providers. Additionally, subject to the terms of the mandate or the product documentation, Insight may take a view (based on its sole judgment and at its sole discretion) on a case-by-case as to whether or not a security or issuer falls within a relevant exclusion.

In some circumstances, where funds move outside of the exclusionary criteria set, there may be an extended resolution period to enable engagement with the issuer with the aim of seeking to resolve the issue identified prior to divestment. It is therefore possible that the funds may, at times, hold positions outside of the exclusionary parameters set.

1 Corporate debt holdings

1.1 Responsible Horizons Minimum Criteria

To qualify for the Responsible Horizons label, all funds are required to adopt the exclusions set out in this section 1.1.

Reference	Exclusion	Rationale	Measurement	Exclusion Threshold
1.1.1	Controversial weapons	The use of controversial weapons is indiscriminate and causes unnecessary excess suffering.	Involvement in whole weapon systems, delivery platforms or components is flagged for involvement in cluster munitions, landmines, biological/chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments. Producers and manufacturers of nuclear weapons.	Issuers with any revenue in relation to controversial weapon involvement and any revenue in relation to production and manufacturing of nuclear weapons.
1.1.2	Tobacco production and distribution	There is extensive scientific research which emphasises significant health and economic costs of consumption of tobacco products.	Companies that are involved in the cultivation and production of tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. This also includes companies that grow or process raw tobacco leaves. Companies that distribute, supply or retail such products.	Issuers that derive any revenue from the cultivation and production of tobacco; Issuers that derive >15% of revenue from tobacco distribution and retail
1.1.3	Good governance fails	Bad governance often leads to poor decision-making and unethical practices. Controversial conduct whereby firms demonstrate serious breaches of internationally accepted norms are usually a sign of mis-managed entities. Many investors wish to avoid such entities due to the financial risks including litigation, in addition to the reputational risk associated with owning them.	Companies that fail our good governance assessment including companies not in compliance with global norms, such as the UN Global Compact, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and the ILO Conventions.	An assessment conducted by our Ratings and Exclusions Group (REG), informed by external data providers' controversy information, will determine if the issuer should be excluded.

Reference	Exclusion	Rationale	Measurement	Exclusion Threshold
1.1.4	Gambling	The addictive nature of gambling, coupled with the predatory tactics used by some companies and lack of safeguards, mean gambling can cause significant societal problems, particularly for the least well-off members of society.	Percentage of revenue/ estimated percentage of revenue a company has derived from gambling-related business activities.	Issuers that derive >5% of revenues from gambling-related business activities are excluded.
1.1.5	Adult entertainment	The adult entertainment industry contributes to the objectification of men and women, can create dangerous ideas of appropriate conduct, can encourage/support illegal activity (for example, trafficking), and is illegal in many regions.	Percentage of revenue, or estimated percentage of revenue, a company has derived from adult entertainment.	Issuers that derive >5% of revenues from adult entertainment are excluded.
1.1.6	Cannabis production	Cannabis is an illegal drug in many jurisdictions due to the negative health implications associated with its use.	Percentage of revenue from companies involved in cannabis production.	Issuers that derive >5% of revenues from cannabis production are excluded.

1.2 Responsible Horizons “Sustainability” Minimum Criteria

With the exception of transition-focused portfolios, all Responsible Horizons funds are required to adopt the exclusions set out in this section 1.2.

Reference	Exclusion	Rationale	Measurement	Exclusion Threshold
1.2.1	Coal	Coal has been the single biggest contributor to anthropogenic climate change and remains responsible for a significant portion of global electricity supply. Unlike other industries, economically viable transition options exist.	Percentage of revenue (either reported or estimated) that a company derives from the exploration, mining, extraction, distribution or refining of hard coal and lignite or metallurgical coal.	Issuers that derive >1% of revenue from hard coal and lignite, or issuers that derive >5% from metallurgical coal, unless the exposure is achieved via use-of-proceeds environmental bonds.
1.2.2	Oil and gas	Fossil fuels are a significant cause of anthropogenic emissions causing climate change as carbon intensive non-renewable sources of energy.	Percentage of revenue (either reported or estimated) that a company derives from the exploration, extraction, distribution or refining of oil and gas.	Issuers that derive: any revenues from oil and gas extraction, exploration, production and refining; or >10% of revenues from oil distribution; or >50% of revenues from gas distribution; unless the exposure is achieved via use-of-proceeds environmental bonds.
1.2.3	Power generation	Fossil fuels are a significant cause of anthropogenic emissions causing climate change as carbon intensive are non-renewable sources of energy.	Percentage of revenue (either reported or estimated) that a company derives from electricity generation with a high carbon intensity or coal power generation.	Issuers that derive >50% of revenues from electricity generation with a greenhouse gas (GHG) intensity of more than 100 g CO ₂ e/kWh, or >10% of revenues from coal-based power generation.

Reference	Exclusion	Rationale	Measurement	Exclusion Threshold
1.2.4	Impact bonds	This aims to prevent investment in impact bonds that exhibit signs of 'impact washing' which refers to any behaviour or activities that give the impression that an entity is doing more to support or protect social and/or environmental issues than it really is. We may also exclude investment where there is insufficient information regarding the impact bond framework (including no commitment regarding the allocation, or a lack of transparency or reporting by the issuer).	Insight has a proprietary in-house rating process which all 'use of proceeds' bonds held in Responsible Horizons portfolios have to be assessed against prior to purchase. The output is either dark green (best in class), light green (pass) or red (fail).	Impact bonds rated red (fail) are excluded.
1.2.5	Lowest Insight Prime corporate ESG rated issuers ¹	Inadequate management of broad sustainability risks.	Insight Prime ESG ratings, updated quarterly, are used to identify issuers with the lowest overall Prime ESG rating, normalised by sector. Scores are 1 (best) to 5 (worst).	Corporates with a Prime ESG rating of 5 are excluded. Corporates with no Prime ESG rating are excluded.

¹ Ratings may be asset-class adjusted for relevant fund types. This means that the renormalisation of scores takes place within the relevant investment universe for the fund in which the ratings are to be used.

1.3 Responsible Horizons “Impact” Criteria

In addition to the aforementioned exclusions, we may adopt one or more of the exclusions below in respect of any Responsible Horizons fund in accordance with the product documentation.

Reference	Exclusion	Rationale	Measurement	Exclusion Threshold
1.3.1	Additional oil threshold	Fossil fuels are a significant cause of anthropogenic emissions causing climate change as carbon-intensive non-renewable sources of energy.	Percentage of revenue (either reported or estimated) that a company derives from transportation of oil.	Issuers that derive >5% of revenues from oil transportation are excluded unless the exposure is achieved via use-of-proceeds environmental bonds.
1.3.2	Non-civilian weapons	While countries have a right to defend their sovereignty, the potential end use of weapons to be used in an act of aggression or intimidation, and corruption within the weapons industry, mean weapons intended for use in defence only can be used by terrorist groups or autocratic regimes to conduct harmful criminal activity that can cause humanitarian crises.	Percentage of revenue (either reported or estimated) that a company derives from the production of weapons systems for non-civilian applications	Issuers that derive >5% of revenues from the production of non-civilian weapons systems are excluded.
1.3.3	Civilian weapons	Weapons can be used in an act of aggression or intimidation that causes significant harm to individuals or society at large. The corruption within the arms industry means civilian weapons can be used by terrorist groups or autocratic regimes to conduct harmful criminal activity that can cause humanitarian crises.	Percentage of revenue, or estimated percentage of revenue, a company has derived from the manufacture and retail of civilian firearms and ammunition.	Issuers that derive >5% of revenues from the manufacture and retail of civilian firearms and ammunition are excluded.
1.3.4	Tobacco wholesale distributors	Extensive scientific research emphasises the significant health and economic costs of the consumption of tobacco products.	Companies that distribute tobacco products.	Issuers that derive >5% of revenues from the distribute tobacco products are excluded.

Reference	Exclusion	Rationale	Measurement	Exclusion Threshold
1.3.5	Principal Adverse Impacts (PAI) Screen	Do no significant harm (DNSH) criteria and regulatory requirement. PAIs are “negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity”.	16 PAI indicators plus two optional indicators	Issuers pass Insight’s PAI screen. Where an issuer fails the PAI screen, it will be escalated to the REG to decide what mitigating action is appropriate. Mitigating actions may include the reduction of position, outright sale or entering into an engagement.
1.3.6	Alcohol production	Alcohol can have significant societal and health consequences.	Percentage of revenue, or estimated percentage of revenue, a company has derived from manufacturing alcoholic products.	Issuers that derive >5% of revenues from the manufacturer of alcoholic products are excluded.

2 Sovereign debt holdings

Sovereign instruments are classified based on the income level of their economy considering the classifications of the World Bank: low income, lower middle-income, upper middle-income and high-income economies.

To qualify for the Responsible Horizons label, all sovereign exposure shall comply with the baseline criteria whilst high income economies shall also comply with the additional criteria. Notwithstanding the foregoing, Responsible Horizons funds that invest in sovereign bonds for (a) liquidity purposes, and/or (b) duration management for hedging and/or investment purposes and investment in impact bonds (use-of-proceeds bonds) may, but are not required to, comply with these exclusions.

2.1 Baseline criteria (all economies)

Reference	Exclusion	Rationale	Measurement	Exclusion Threshold
2.1.1	Worldwide Governance Indicators (WGI) established by the World Bank	The strength of the governance of a state should meet a certain baseline level.	6 Worldwide Governance Indicators: 1. Voice and Accountability 2. Political Stability and Absence of Violence/Terrorism 3. Government Effectiveness 4. Regulatory Quality 5. Rule of Law 6. Control of Corruption	Average on all 6 WGIs is less than -0.59, and/or a single WGI scores less than -1.00.
2.1.2	Countries subject to social violations	Controversies highlight weaknesses or wrongdoing of countries with regard to political risk, human rights risk and infringement of peace.	There are exclusion criteria which are applied at the discretion of the REG. Countries subject to social violations are excluded.	Countries identified by the REG as being subject to social violations.

2.2 Additional criteria (high-income economies)

Reference	Exclusion	Rationale	Measurement	Exclusion Threshold
2.2.1	Failure to ratify the Paris Agreement	There could be significant consequences of climate change for the Antarctic ice sheet if the Paris Agreement target of 2°C is not met.	Paris Agreement – status of ratification	Non-signatories are excluded
2.2.2	The Treaty on the Non-Proliferation of Nuclear Weapons (NPT)	The use of nuclear weapons is indiscriminate and causes unnecessary excess suffering. The treaty is designed to prevent the spread of nuclear weapons and weapons technology, to foster the peaceful uses of nuclear energy, and to further the goal of disarmament.	NPT membership	Non-members are excluded

Reference	Exclusion	Rationale	Measurement	Exclusion Threshold
2.2.3	Jurisdiction with strategic AML/CFT deficiencies' (FATF)	Money laundering and terrorist financing diverts resources away from economically and socially productive uses and can negatively affect a country's financial system by undermining its stability. This classification identifies nations with weak anti-money laundering and counter-terrorist funding regulatory frameworks.	Jurisdiction with strategic AML/CFT deficiencies.	Countries listed are excluded.
2.2.5	Sovereign risk rating	A country's exposure to and management of ESG risks can be a key determinant of its financial performance and potential progress on sustainability issues.	Sovereign ESG risk ratings, updated quarterly, to identify issuers with the lowest overall ESG rating, scores are 1 (best) to 5 (worst).	Sovereigns with an ESG risk rating of 5 are excluded. Sovereigns with no ESG risk rating are excluded.
2.2.6	Death penalty	The death penalty violates the right to life, a fundamental human right.	The death penalty is legal and in use.	All countries where death penalty is legal and in use are excluded.
2.2.7	Labour rights	Human rights are moral principles or norms for certain standards of human behaviour and are regularly protected in municipal and international law. Labour rights feature in the 1948 Universal Declaration of Human Rights, Article 23.	Ratification and implementation of the ILO Declaration on Fundamental Principles and Rights at Work. This covers freedom of association, forced labour, discrimination, child labour and occupational safety and health.	States that have not ratified or have not implemented in equivalent national legislation the eight fundamental conventions identified in the ILO Declaration on Fundamental Principles and Rights at Work are excluded.
2.2.8	Human rights	Human rights are moral principles or norms for certain standards of human behaviour and are regularly protected in municipal and international law.	Ratification and implementation of the international human rights treaties and qualification and Freedom xHouse 'Freedom in the World' assessment. Freedom in the World analysis of the electoral process, political pluralism and participation, the functioning of the government, freedom of expression and of belief, associational and organisational rights, the rule of law, and personal autonomy and individual rights in any country.	Countries that have ratified fewer than half of the 18 core international human rights treaties, and/or qualified as 'not free' by the Freedom in the World report.

Reference	Exclusion	Rationale	Measurement	Exclusion Threshold
2.2.9	Impact bonds	This aims to prevent investment in impact bonds that exhibit signs of 'impact washing' which refers to any behaviour or activities that give the impression that an entity is doing more to support or protect social and/or environmental issues than it really is. We may also exclude investment where there is insufficient information regarding the impact bond framework (including no commitment regarding the allocation, or a lack of transparency or reporting by the issuer).	Insight has a proprietary in-house rating process which all 'use of proceeds' bonds held in Responsible Horizons portfolios have to be assessed against prior to purchase. The output is either dark green (best in class), light green (pass) or red (fail).	Impact bonds rated red (fail) are excluded. Impact bonds issued by sovereigns rated light green or dark green that address issues identified in exclusions are eligible for investment in all the Responsible Horizons funds.
2.2.10	Biodiversity commitment	Biodiversity is a natural capital asset that is essential to the maintenance of health ecosystems that are able to provide humans and companies with essential ecosystem services.	The Convention on Biological Diversity is a multilateral treaty. The convention has three main goals, including the conservation of biological diversity.	Non-signatories to the Convention on Biological Diversity are excluded.
2.2.11	Military expenditure	Military spending is intimately linked to war, which causes unnecessary excess suffering.	Military spending as share of GDP.	States with particularly high military budgets (>4% GDP) are excluded.
2.2.12	Transparency International Corruption Perceptions Index (CPI) – higher threshold	Corrupt economies are not able to function effectively as the natural laws of the economy are prevented from functioning freely. The CPI ranks countries by their perceived levels of public sector corruption.	The CPI ranks countries on a scale from 100 (very clean) to 0 (highly corrupt).	Countries that score less than 40 out of 100 are excluded.

3 Additional sustainability considerations

At Insight we believe that we have a duty to our clients to assess how various sustainability matters may influence both the value and impact of their investments. As such, we have outlined our view and approach to some of the additional ESG risks that we assess but do not currently include as explicit exclusions for the Responsible Horizons range. This is not a definitive list of ESG issues that we assess, and we will continue to add to the list over time.

Reference	Consideration	Insight's position
3.1	Biodiversity	<p>Biodiversity is a natural capital asset that is essential to the maintenance of healthy ecosystems that provide essential ecosystem services that contribute a flow of benefits to companies and people. However, we are facing an unprecedented rate of decline in biodiversity and species extinction due to human and company activity, including land grabbing and overfishing. The 2020 WWF Living Planet Index showed that biodiversity declined by 68% between 1970 and 2016. This decline in biodiversity and other natural capital stocks represents a risk to businesses as it contributes to the deterioration of ecosystem services that many are so dependent on and poses a reputational and regulatory risk to those companies causing biodiversity decline. Also, the climate-nature nexus highlights the interaction between climate change and nature loss as mutually reinforcing. Deforestation is a key driver of biodiversity loss and due to the interactions between climate change and biodiversity is aiding the acceleration of climate change.</p> <p>Some sectors are at an increased risk of these biodiversity impacts including the mining, agriculture, forestry and fishing industries. In mining, pollution, habitat destruction and resource depletion are the main biodiversity risks whilst for agriculture, water usage, pesticide and fertiliser runoff and soil degradation should be considered from an environmental perspective. Forestry investments should consider deforestation rates and sustainable harvesting practices. In fishing, overfishing, bycatch and habitat damage are key concerns.</p> <p>In the Responsible Horizons range, our approach places an emphasis on the integration of responsible investment and stewardship principles within investment decision-making, underpinned by the belief that ESG issues can be important drivers of investment risk and impact. In this context biodiversity metrics are incorporated within our Prime ESG framework and, where deficiencies are highlighted that are sufficiently material, will be evaluated by analysts during the credit analysis process, through the use of our landmine checklist. Biodiversity impacts also constitute one of the PAI assessments and will thereby be integrated where that screen is adopted, subject to data availability.</p> <p>In addition to the above, Insight has conducted top-down thematic research on biodiversity and natural capital assets risks, opportunities and impacts in corporate fixed income. This has helped us to understand how these risks, opportunities and impacts materialise across sectors and geographic locations and has enabled us to identify best practice. This research also demonstrated real data gaps which need to be resolved before systematic integration will have a high level of efficacy.</p> <p>The Taskforce for Nature related Financial Disclosures (TNFD) has developed a disclosure framework for organisations to report and act on evolving nature-related risks. In 2022 Insight became a member of the TNFD Forum (https://tnfd.global/about/the-tnfd-forum/) which provides regular updates on the Taskforce's work on developing the TNFD standards and opportunities to support the technical work of the Taskforce.</p>

Reference	Consideration	Insight's position
3.2	Water use	<p>Clean water is essential to human life and health. It is a key component of natural capital that provides key ecosystem services that contribute a flow of benefits to companies and people. However, The UN estimated that there will be a 40% shortfall of the available global water supply by 2030 as water is vulnerable to our changing climate and the irresponsible use of water by corporations. 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. Climate change is also exacerbating many water-related risks including increased water scarcity in some areas and increased flood risk in others.</p> <p>In the Responsible Horizons range, our approach places an emphasis on the integration of responsible investment and stewardship principles within investment decision-making, underpinned by the belief that ESG issues can be important drivers of investment risk and impact. In this context Water metrics are incorporated within our Prime ESG framework and, where deficiencies are highlighted that are sufficiently material, will be evaluated by analysts during the credit analysis process, through the use of our landmine checklist. Water use also constitutes one of the PAI assessments and will thereby be integrated where that screen is adopted, subject to data availability.</p> <p>Alongside the above, water is also a current area of thematic engagement for our stewardship team.</p> <p>In 2022 Insight joined the Valuing Water Finance Initiative, a collaborative investor group with 64 signatories overseeing over \$9.8 trillion in assets. We have participated in collaborative engagements as a member of the initiative.</p>
3.3	Pollution and waste (plastics)	<p>The overconsumption of non-renewable materials, including single-use plastics, generates a large amount of waste and pollution. It is also a significant contributor to greenhouse gas emissions. A circular economy approach is urgently needed to mitigate the environmental consequences of the abundant use of single-use plastic. There is also growing public awareness of the damage and pollution being caused by plastics, putting reputational pressure on companies to find alternative materials to use.</p> <p>In the Responsible Horizons range, our approach places an emphasis on the integration of responsible investment and stewardship principles within investment decision-making, underpinned by the belief that ESG issues can be important drivers of investment risk and impact. In this context pollution and waste metrics are incorporated within our Prime ESG framework and, where deficiencies are highlighted that are sufficiently material, will be evaluated by analysts during the credit analysis process, through the use of our landmine checklist. If waste and pollution risk is highlighted as a key issue for companies within our Prime ESG rating output, analysts are expected to conduct further bottom-up research to understand specific company's exposure to, management and mitigation of pollution and waste related risks and impacts.</p>

Reference	Consideration	Insight's position
3.4	Taxation	<p>Tax is an important source of government revenue which can be used to provide essential social services to societies and populations. Companies find themselves under increasing pressure to display tax transparency and to pay what society deems is their 'fair share'. Companies that breach tax rules can lose trust from the public and erode their ability to operate in a jurisdiction. The international tax system is also being targeted for reform to keep pace the international nature of many companies due to globalisation. Tax has traditionally lacked transparency making it challenging for investors to understand the potential risks to companies' profitability that tax reforms pose, and if companies' profits are being boosted by a short term tax advantage.</p> <p>In the Responsible Horizons range, our approach places an emphasis on the integration of responsible investment and stewardship principles within investment decision-making, underpinned by the belief that ESG issues can be important drivers of investment risk and impact. In this context tax transparency metrics are incorporated within our Prime ESG framework and, where deficiencies are highlighted that are sufficiently material, will be evaluated by analysts during the credit analysis process, through the use of our landmine checklist. If tax transparency is highlighted as a key issue for companies within our Prime ESG rating output, analysts are expected to conduct further bottom-up research to understand specific company's exposure to, management and mitigation of tax transparency related risks and impacts.</p>
3.5	Gender and diversity	<p>Diversity, equity and inclusion (DEI) is a topic of increasing importance across both social and governance themes. There is an increasing body of research to support improving DEI at companies. For example, McKinsey's 2019 research found that companies in the top quartile for gender diversity on executive teams were 25% more likely to have above-average profitability than companies in the fourth quartile. The research also found that the likelihood for outperformance is higher for diversity in ethnicity than for gender, as companies in the top quartile for ethnic/cultural diversity on executive teams were 33% more likely to have industry-leading profitability.</p> <p>In the Responsible Horizons range, our approach places an emphasis on the integration of responsible investment and stewardship principles within investment decision-making, underpinned by the belief that ESG issues can be important drivers of investment risk and impact. In this context diversity metrics are incorporated within our Prime ESG framework and, where deficiencies are highlighted that are sufficiently material, will be evaluated by analysts during the credit analysis process, through the use of our landmine checklist. Data transparency remains somewhat constrained in this area meaning it is not expected that diversity metrics will be regularly identified as a material risk to a company. However, if diversity is highlighted as a key issue for companies within our Prime ESG rating output, analysts are expected to conduct further bottom-up research to understand specific company's exposure to, management and mitigation of diversity related risks and impacts.</p> <p>With the engagement and stewardship role we play as a key active fixed income, we have a responsibility to advocate companies to conduct their business in a way that mitigates their risk exposure and reduces their negative impact on the environment and society. Engagement is also one of the key tools we use as an investor to conduct research and understand the gender and diversity risks a company is exposed to.</p>

Reference	Consideration	Insight's position
3.6	Oppressive regimes (state and company level)	<p>The Universal Declaration of Human Rights (UDHR) 1948 set out fundamental human rights to be universally protected. The UN defines human rights as “the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination”. International cooperation has set out International laws that outline the obligations of governments to uphold human rights for everyone. Insight uses the UDHR 1948 as a basis to understand countries progress in protecting and upholding human rights. Insight views Human Rights as an important component to ESG assessments, to be included in the investment process for sovereigns. Insight recognises all the Human Rights as important ESG impact factors. Therefore, all 30 articles where there is appropriate data are included in the impact framework. Governments have significant capacity to influence the respect and protect the ability to uphold human rights. Oppressive regimes refer to countries with political systems that allow human rights abuses through unjust and cruel treatment of the population.</p> <p>In the Responsible Horizons range, our approach places an emphasis on the integration of responsible investment and stewardship principles within investment decision-making, underpinned by the belief that ESG issues can be important drivers of investment risk and impact. In this context, whilst human rights metrics are more systematically analysed in our sovereign process, human rights controversies are incorporated within our corporate Prime ESG framework and, where deficiencies are highlighted that are sufficiently material, will be evaluated by analysts during the credit analysis process, through the use of our landmine checklist. Data transparency remains somewhat constrained in this area meaning it is not expected that human rights metrics will be identified as a material risk to a company. However, if human rights is highlighted as a key issue for companies within our Prime ESG rating output, analysts are expected to conduct further bottom-up research to understand specific company's exposure to, management and mitigation of human rights related risks and impacts.</p>
3.8	Forward contracts on agricultural commodities	<p>There is significant debate surrounding forward contracts on agricultural commodities. While some argue that it facilitates sustainable agriculture by providing farmers with the opportunity to hedge their risk, it can also be argued that the price discovery risk hedging is responsible for raising the price of food which in turn leads to hunger. Because there is no consistently accepted standard, Insight therefore does not currently exclude forward contracts on agricultural commodities.</p>
3.9	Net-zero GHG emissions	<p>Insight became a signatory to the Net Zero Asset Managers initiative in April 2021, committing to reach net-zero emissions on the assets it manages by 2050 at the latest. As a signatory to the initiative, Insight agreed to:</p> <ul style="list-style-type: none"> • work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net-zero emissions by 2050 or sooner across all assets under management; • set an interim target for the proportion of assets to be managed in line with the attainment of net-zero emissions by 2050 or sooner; and • review its interim target at least every five years, with a view to ratcheting up the proportion of assets under management (AUM) covered until 100% of assets are included. <p>For Responsible Horizons, we monitor the weighted carbon intensity of the corporate debt of the portfolio and we evaluate issuers on their net-zero alignment and maturity. Some Responsible Horizons funds may have explicit net-zero targets.</p>

Reference	Consideration	Insight's position
3.9	Nuclear-based power generation	Investing in nuclear power generation presents a dilemma from an environmental perspective as these facilities produce minimal GHG emissions during operation, offering a high-density energy source that can reliably provide baseload power. This can be crucial for transitioning away from fossil fuels. However, nuclear power carries environmental risks, and the long-lived radioactive waste requires careful management and storage and the possibility of accidents can have devastating consequences. For Responsible Horizons, we do not explicitly exclude nuclear power generation, but we aim to align with the technical screening criteria as per the EU taxonomy including adhering to minimum standards for the disposal of radioactive waste.

Important information

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