



Responsible Investment Statement

Acadian's investment process is built on the principle that market inefficiencies arise from behaviorally- driven mispricings, information asymmetry, and market frictions. We seek to systematically exploit these inefficiencies by leveraging data and technology to translate our fundamental and market insights into actionable investment opportunities. By integrating ESG considerations into our investment process, we aim to uncover overlooked opportunities and manage risks, ultimately enhancing portfolio outcomes for our clients. We believe an empirical approach best addresses Responsible Investing principles, through the creation of predictive investment Signals, delivering custom Solutions to clients, and upholding a disciplined approach to Stewardship.

1. SIGNALS

We integrate ESG signals into our investment process to enhance the prediction of stock returns. Treated like any other alpha signal, ESG insights undergo the same rigorous testing to evaluate their efficacy. Our research demonstrates that investors often underreact to material, non-financial information such as climate risks, corporate culture, and governance practices. By addressing the challenges of collecting and interpreting this non-financial information at scale, we can identify mispriced securities and create opportunities for improved portfolio performance.

2. SOLUTIONS

We collaborate with clients to deliver innovative custom ESG solutions, offering flexibility to address unique sustainability goals. Approximately 40% of Acadian's AUM integrates client-driven exclusion or tilts based on values- and norms, including controversial weapons, thermal coal, tobacco, and perceptions of UN Global Compact violators. Additionally, we design portfolios that align with decarbonization goals, Net Zero commitments, and targeting exposure to Sustainable Investments based on the Sustainable Development Goals (SDGs). These innovative solutions complement our core investment approach, ensuring that client objectives remain at the forefront.

3. STEWARDSHIP

Acadian is not an activist investor and our primary motivation for engaging with companies is for investment purposes, based on the finding that material non-financial issues are often overlooked by investors. Our objective is to understand how companies perceive material issues and manage 'unattended risks', issues that may materially impact a firm if they are not sufficiently managed. Our dialogue with companies may also spur new research ideas to aid the prediction of stock forecasts.

We offer clients three options with respect to proxy voting. First, a client may independently select to retain full voting discretion to itself cast votes for its portion of shares. Second, a client may independently choose Acadian to vote its shares consistent with Acadian's disclosed policy. In this scenario, Acadian delegates voting to ISS and for the majority of strategies those votes are cast by ISS in accordance with the ISS Benchmark Voting Policy. For strategies that incorporate significant ESG solution considerations, votes are cast by ISS in accordance with the ISS Sustainability Voting Policy. Finally, a client may provide Acadian with its own customized proxy voting policy.

Advantages of a Systematic Approach

We highlight several strengths associated with our approach to Responsible Investing:

- **Disciplined investment process:** Our research identifies overlooked material non-financial factors that impact stock returns. ESG signals are rigorously tested to meet high predictive standards.
- **Objectivity:** Our systematic process minimizes the subjectivity and inconsistencies often associated with ESG data, addressing low correlation across ESG rating providers.
- **Materiality:** We define ESG materiality in terms of ability to predict risk-adjusted returns and employ a high hurdle to evaluate efficacy. Our empirical research pays careful attention to the formulation of signals, evaluating efficacy across sectors, regions and time.
- **Transparency:** Our research process quantifies the incremental value of ESG signals versus traditional company fundamentals. This enables portfolio managers to explain precisely how important ESG signals are for any stock forecast.

- **Proprietary signals using state-of-the-art techniques:** We draw upon our in-house expertise in unstructured data and Artificial Intelligence techniques to create proprietary forward-looking signals. In our view, techniques such as Natural Language Processing and Large Language Models offer investors a toolkit to collect, process and decipher the value-relevance of non-financial information in an objective and scalable way.
- **Broad investment universe:** Our scalable process evaluates over 40,000 securities globally, enabling us to integrate ESG without compromising alpha generation.
- **Innovative engagement approach:** AI-driven insights support company engagement efforts, such as detecting greenwashing or mapping supply chains to uncover hidden risks.

Reporting

Responsible Investing reporting is available to clients and includes an overview of portfolio characteristics, carbon related metrics, ESG ratings, proxy voting results and engagement outcomes. Carbon reporting includes portfolio weighted Scope 1 & 2 carbon emissions and carbon intensity compared to benchmark exposure, with details of exposures by industry and region.

Acadian publicly reports on Responsible Investment activities via the Transparency Report available on the PRI's website, and reports on activities via its website. This includes the publication of thematic research, annual TCFD and Stewardship reports. More information about Acadian's approach to Responsible Investing can be found [here](#) or by contacting: information@acadian-asset.com.

Governance

Acadian's Director of Responsible Investing oversees the firm's Responsible Investing policy. The primary objective of the policy is to integrate material non-financial information into the investment process to enhance investment returns and mitigate potential risks, with the goal of delivering better outcomes for Acadian's clients. A further objective is to offer innovative custom solutions to meet clients' specific ESG needs. Acadian's Director of Product Strategy oversees Stewardship, consisting of company engagements, third-party initiatives and proxy voting policy. Ultimate accountability for Responsible Investing lies with Acadian's CIO and CEO.



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Acadian's quantitative investment process is supported by extensive proprietary computer code. Acadian's researchers, software developers, and IT teams follow a structured design, development, testing, change control, and review processes during the development of its systems and the implementation within our investment process. These controls and their effectiveness are subject to regular internal reviews, at least

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