



Japan Stewardship Code



ACADIAN'S APPROACH

The Japan Stewardship Code was launched in February 2014 with the aim of promoting medium and long term growth via encouraging engagement with investee companies. Acadian Asset Management LLC is a Boston-headquartered and SEC-registered investment adviser. Along with our wholly owned affiliates in Singapore, Australia, and the UK, we specialize in the active management of systematic investment strategies.

In our view, constructive engagements with investee companies can potentially serve to realize shareholder value thereby enhancing risk-adjusted returns. Acadian has a long history and deep experience with Responsible Investing, systematically integrating ESG signals into investment decisions alongside company fundamentals. We believe the benefits of this systematic approach also extend to stewardship and engagement.

This document explains compliance by Acadian Asset Management LLC (“Acadian”) with the eight principles of Japan’s Stewardship Code (“the Code”).

PRINCIPLE 1

Institutional investors should have a clear policy on how they fulfil stewardship responsibilities, and publicly disclose it.

Acadian's stewardship approach is publicly disclosed within our Responsible Investment Statement and within our Annual Stewardship Report. We deploy a systematic engagement approach. It is designed to enhance and protect client interests and is aligned with topics that are integrated into our investment process as signals - climate action, corporate culture and corporate behavior. These signals are implemented for the purpose of enhancing risk-adjusted returns.



Climate Change

We assess company disclosures on climate change risks, informed by TCFD, and board-level oversight of climate risk strategy. Guided by SBTi, we examine company-wide emissions reduction goals.



Corporate Culture

We examine compliance with the U.N.'s Guiding Principles on Business and Human Rights. We assess adherence to International Labour Standards and controls to prevent modern slavery in supply chains.



Corporate Behavior

We focus on shareholder rights, which we view as critical to companies' long-term success. We assess management transparency, board independence, and management responsiveness to financially material concerns.





PRINCIPLE 2

Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Acadian's Conflict of Interest policy is publicly disclosed via our website and also within our [Annual Stewardship Report](#). An abridged extract of this is enclosed below:

POLICY

Acadian's Conflict of Interest policy seeks to avoid any material conflicts unique to a specific client. Should such a conflict be identified, we will notify the client. It is our policy to attempt to identify general conflicts that occur within our investment processes and to establish mitigating controls to address them. It is also our policy to disclose these general conflicts to our clients and prospects.

PROCEDURE

In the context of Stewardship and Engagement, Acadian has a duty to vote all proxies in the best interest of each client that holds the security subject to voting. In an effort to address the potential for conflict in the voting process and preserve its independence, Acadian retains the services of Institutional Shareholder Services ("ISS") to research and vote proxies on Acadian's behalf in accordance with voting policies and procedures agreed between the clients, Acadian, and ISS. Acadian retains oversight and supervisory responsibilities for the voting process.



PRINCIPLE 3

Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

Acadian monitors investee companies via a data driven process and, subsequent to this, via direct engagements with those companies covering issues relevant to our investment process and the interests of our clients.

IDENTIFYING ESG RISKS

To identify and prioritize engagements Acadian systematically analyses text and other forms of alternative data. As a first step we identify engagement targets where we are overweight, due to positive alpha signals, but which also have negative ESG micro-factors. As a second step we evaluate whether we believe we can provide differentiated insights to a company, typically through our use of AI. This can involve mining through NGO and media reports for perceptions of UNGC violations and other ESG concerns and controversies. This systematic approach allows us to discern emerging ESG risk themes and assess their importance.

SELECTING ENGAGEMENT TARGETS – CASE STUDY

We use machine learning algorithms to produce specific, data-driven evidence to support our engagements. For example, we reached out to an automaker and asked whether any of its suppliers raised flags over forced labor. The firm acknowledged the broad issue but claimed that it had not found evidence of forced labor in its supply chain. We were unsatisfied with this response and conducted our own analysis using machine learning. We were able to map distant producer-consumer relationships that might been overlooked via a conventional assessment. As a result, we contacted the automaker again and requested that it confirm that the suspected violator had been excised from its suppliers and articulate how it monitors for and responds to such concerns. The company replied that it would investigate the supplier in question and commented that they were impressed by our analysis and asked where they could find the application that we had used to discover it.

FOOTNOTE: For further details on our AI Engagement Framework please see our Thematic Insights Paper: ESG Engagement: By the Numbers (available [here](#))



PRINCIPLE 4

Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

Acadian's engagement approach seeks to establish a positive relationship with investee companies. We aim to do this via constructive, evolving dialog. During engagements our discussions are focused on topics that are integrated into our investment process: climate action, corporate culture, corporate behavior.

CLIMATE ACTION

Our Climate Action engagements focus on topics such as promoting greater emissions disclosure, assessing alignment to science based targets and frameworks, and assessing board oversight and strategy relating to climate risk management.

CORPORATE CULTURE

Our Corporate Culture engagements cover issues such as employee satisfaction, health & safety and workforce wellbeing, and labor rights & standards including across procurement and supply chains.

CORPORATE BEHAVIOR

Our Corporate Behavior engagements revolve around the alignment of management interests and shareholder rights. We focus on promoting board independence, management transparency, and management quality.

Across all of these topics we seek to impart best practice and establish common understanding with the investee companies we engage with.

PRINCIPLE 5

Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist: it should be designed to contribute to sustainable growth of investee companies.

Acadian's voting policy is also covered in the [Annual Stewardship Report](#), and an abridged extract of this is enclosed below:

Acadian votes proxies as directed by each of our clients. Our proxy voting is delegated to ISS who, in the majority of cases, conduct the votes in accordance with their standard policies. For separately managed accounts Acadian clients can also request specific or custom policies. At the outset of each investment relationship with a client, the client has three options to choose from in connection with how its shares are voted on resolutions. Firstly, a client may independently select to retain full voting discretion to itself cast votes for its portion of shares. Secondly, a client may independently choose to have Acadian vote its shares consistent with Acadian's disclosed policy, which makes clear that Acadian delegates voting to Institutional Shareholder Services ("ISS") and those votes are cast by ISS in accordance with its benchmark voting policy which focuses on enhancing shareholder value. Thirdly, a client may provide Acadian with its own customized proxy voting policy (which Acadian then provides to ISS to apply) or instruct Acadian to have ISS apply another one of its policies, such as its sustainability proxy voting policy. Thus, as a matter of Firm policy, each client directs Acadian on how they wish its shares to be voted.



PRINCIPLE 6

Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

As detailed in our response to Principle 5, Acadian publishes an Annual Stewardship Report, which includes a breakdown of engagement and voting activities across the prior twelve months. The report also assesses broader stewardship trends and included selected engagement case studies covering each of our three engagement themes - climate action, corporate culture, corporate behavior.



PRINCIPLE 7

To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgements in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

As detailed in our response to Principle 3, Acadian has developed quantitative, systematic processes for identifying emerging ESG risks and selecting engagement targets. Our work in this space has seen us nominated for two PRI awards; (i) using network centrality to identify target companies and engagement tipping points (2022); (ii) use of machine learning and the creation of our ENGAGER tool to measure greenwashing risk (2021).

These sophisticated, systematic processes are augmented by the depth of experience within our dedicated responsible investment team, lead by Andy Moniz, Director of Responsible Investing (Acadian Asset Management (UK) Limited). The team includes ESG Portfolio Managers, a dedicated ESG Product Strategist and a dedicated ESG Engagement Associate.

On average these employees have 14 years of industry experience and over 7 years of dedicated ESG experience.



PRINCIPLE 8

Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.

We acknowledge that this principle of the Code relates solely to service providers for institutional investors, consequently this principle does not directly apply to Acadian.

In terms of stewardship service providers, as detailed in our response to Principle 5, we retain the service of ISS to manage and execute proxy votes. In the context of segregated mandates we offer clients the following options; (i) retain full voting discretion and casting of own votes, (ii) select Acadian to vote consistent with our disclosed policy - the ISS Benchmark Policy; (iii) provide Acadian with its a customized proxy voting policy, or select an alternative ISS policy.

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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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