2024 Climate Report

Prepared in Alignment with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

ACADIAN ASSET MANAGEMENT LLC

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EXECUTIVE SUMMARY

Acadian Asset Management LLC is a Boston-headquartered investment manager and an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC"). Along with our wholly owned affiliates in Singapore, Australia, and the UK, we specialize in the active management of systematic investment strategies. Led by a highly experienced team, we apply a disciplined framework to a broad universe and focus our extensive research capabilities on developing customized investment management strategies for our clients. Acadian was the first quantitative asset manager to become a signatory of the Principles for Responsible Investing (PRI) in 2009.

Acadian incorporates ESG considerations in two ways. The first is the integration of ESG signals for the purpose of enhancing the prediction of risk-adjusted returns. Our goal is to continuously evaluate and incorporate additional ESG considerations in our investment process either as return-seeking or risk-mitigating signals to improve our clients' investment outcomes. The second is to offer customized ESG solutions upon request to address clients' specific sustainability preferences.

ESG as a Source of Alpha
We integrate alpha signals into the investment process only when there is strong evidence of predictive efficacy. ESG signals are treated no differently than any other alpha signal - they undergo the same rigorous testing and validation process. Our research finds that markets often underreact to non-financial information, such as corporate culture, human capital management, and governance quality. These mispricings can be exploited using systematic investing methods.

The Value of ESG Investing
We find that the consideration of material, non-financial information can help improve investment outcomes when used as return-seeking or risk-mitigating signals. They allow us to uncover overlooked risks and intangible drivers of long-term value. For example, vague climate strategies or poor labor practices may signal poor management quality or operational risks that are not captured in traditional financial data.

Because ESG data is often unstructured and incomplete, we apply machine learning techniques to extract useful insights from sources such as corporate disclosures, media news and third-party data. This enables us to assess ESG issues objectively, at scale, in a forward-looking manner.

Our Rationale For Incorporating ESG
Acadian's investment philosophy is built on the idea that markets are inefficient due to behavioral mispricings, information asymmetry, and market frictions. ESG considerations are often overlooked or misinterpreted by the market, particularly when they relate to intangible assets that are not reflected on company balance sheets. By systematically incorporating ESG data, we aim to identify mispricings and improve our model's ability to forecast returns and mitigate risks.

Importantly, Acadian's investment process seeks to gain access to the largest possible opportunity set to maximize exposure to alpha; therefore, ESG constraints and exclusions are not applied by default in our investment process. Instead, we offer customized solutions upon client request.

KEY FIGURES

- Assets Under Management at Q4 2024 was $115.8 Bn
- 100% of assets have ESG considerations, for the sole purpose of enhancing risk-adjusted returns
- 40% with additional ESG constraints or other types of exclusions as of Q4 2024
- $8.3 bn in dedicated sustainability strategies as of Q4 2024
- 118 engagements across calendar year 2024, of which 82 were Climate Action engagements
- All our engagements are aligned with signals that are integrated into our investment process
- These signals are embedded for the sole purpose of enhancing risk-adjusted returns
- Total Corporate GHG Emissions in 2024: 1,772.59 tCO$_2$e

KEY ACHIEVEMENTS

- 2021 - Acadian Australia recognized as a Responsible Investment Leader by the Responsible Investment Association Australasia (RIAA)
- 2021 - Shortlisted for a PRI Award - ESG Incorporation Initiative of the Year
- 2022 - Shortlisted for a PRI Award - Stewardship Initiative of the Year
- 2022 - Joined the Net Zero Asset Managers Initiative and disclosed our initial targets.
- 2023 - Acadian Australia awarded Best Specialist ESG strategy at the Annual Hedge Funds Rock & Australian Alternative Investment Awards.
- 2023 - Acadian Australia named Best International Equities ESG Manager at the Money (Australia) Best of the Best Awards.
- 2024 - Acadian Australia awarded best specialist ESG fund and best long/short equity fund at the Annual Hedge Funds Rock & Australian Alternative Investment awards. The firm was also recognised as a finalist in the category of Best Offshore Manager Operating in Australia.
- 2024 - Acadian Australia awarded the 2024 International Equities – Alternative Strategies Manager of the year at the Annual Zenith Fund Awards.

MODULE	2023 PRI SCORES
Policy Governance & Strategy	★ ★ ★ ★ ☆
Direct - Listed equity - Active quantitative	★ ★ ★ ★ ★
Confidence building measures	★ ★ ★ ★ ☆

Acadian Asset Management has been awarded these scores for the specific modules above. These as well as additional module scores can be found in the assessment report which is compiled from Acadian's responses to the PRI Reporting Framework. The Transparency Report showing these responses is available on PRI's website. The scores are not indicative of any strategy performance returns nor are they indicative of future performance. Please note the module descriptions from PRI have changed between year-end 2021 and year end 2022. The above table reflects this.

Document Guide

I. GOVERNANCE & MANAGEMENT

Acadian regularly discusses ESG considerations across the following committees and at the following senior management levels:

Executive Management Team ("EMT"):
The Executive Management Team comprises four senior individuals who view responsible investing and broader sustainability goals as critical to the firm's success.

Chief Executive Officer ("CEO"):
Our CEO chairs our Corporate Sustainability Committee, which comprises senior members across our global investment and client service teams. The CEO has direct objectives linked to our responsible investing goals.

Chief Investment Officer ("CIO"):
The Chief Investment Officer is ultimately responsible for setting Acadian's investment strategy and policy, including ESG, with broad input from the Responsible Investing Committee, Investment Policy Committee, and the Portfolio Management Team.

Chief Marketing Officer ("CMO"):
The Chief Marketing Officer oversees Acadian's Product Strategy team as well as client service. In these roles the CMO helps ensure that ESG related product development is in line with client needs and Acadian's ESG vision and goals as a firm, as well as ensuring that ESG related research and commentary is regularly conveyed to clients and other stakeholders.

Committees

Compliance and Risk Committee:
Acadian's *Compliance and Risk Committee* is co-chaired by our Enterprise Risk Manager and our Chief Compliance Officer & General Counsel. It is comprised of senior managers representing Acadian's main business groups. This committee assists with the implementation of our Compliance Program, as well as conflict identification, mitigation, and any required disclosure including any related to Responsible Investing.

Product Management Committee:
The Product Management Committee meets regularly to discuss client solutions. From an ESG perspective, this has included discussions around sustainable requirements for products and client reporting.

Corporate Sustainability Committee:

The Corporate Sustainability Committee was formed in 2020 and meets through the year to discuss sustainability risks and opportunities for Acadian as a firm. Focus areas include establishing best practices to reduce the firm's carbon emissions, TCFD reporting and monitoring of the firm's supply chain.

Responsible Investing Committee:

The Responsible Investing Committee (RIC) comprises senior executives including Acadian's CEO, CIO, and CCO. The committee convenes regularly to discuss the integration of ESG considerations across Acadian's investment process. Examples have included the establishment of a sustainability framework to enhance our UCITS' fund offerings, and developing ESG factors within Acadian's quantitative investment model.

Acadian's Director of Responsible Investing, Andy Moniz (Acadian Asset Management (UK) Limited), oversees the firm's Responsible Investing (RI) policy. The primary objective of the policy is to integrate material ESG considerations into the investment process, with the goal of enhancing investment returns, mitigating potential risks, and ultimately delivering better outcomes for Acadian's clients. A further objective of the policy is to develop customized solutions to meet clients' ESG needs. Ultimate authority and accountability lie with Acadian's Chief Investment Officer.

Responsible Investing Team

Experts focused on ESG specific data, alpha research, portfolio construction, machine learning, climate analytics, and engagement.

Andy Moniz, Ph.D., CFA* | Senior Vice President, Director, Responsible Investing

Industry experience: 25 years | ESG experience: 14 years | Focus: Data science, engagement

Devin Nial | ESG Portfolio Manager

Industry experience: 20 years
ESG experience: 5 years
Focus: Alpha research, machine learning

Jerry Yu, Ph.D., CFA | ESG Associate Portfolio Manager

Industry experience: 5 years
ESG experience: 4 years
Focus: Climate analytics, engagement

Chris Hayes*+ | ESG Product Strategist

Industry experience: 18 years
ESG experience: 10 years
Focus: Product development, alternative ESG data

Reet Arora*+ | ESG Engagement Associate

Industry experience: 3 years
ESG experience: 3 years
Focus: Stewardship process

*Based in Acadian's London Office, +Member of Acadian's Product Strategy Team

II. STRATEGY

1. Background on Acadian's Investment Approach

Acadian's investment process is founded on the principle that market inefficiencies are caused by behaviorally-based mispricings, information asymmetry, and market frictions. Our investment process seeks to systematically exploit these inefficiencies by leveraging data and technology to apply our fundamental and market insights:

- Markets are inefficient because many investors act irrationally and with incomplete information.
- Markets are adaptive, which changes the relationships between risk and reward through time.
- Investors have "mental models" that neglect relevant information and changing dynamics and thus perpetuate these market inefficiencies.

We believe that alpha is best generated by:

- Applying information and technology in a disciplined and systematic investment process.
- Knowing the value of different information at different points in time.
- Recognizing that a robust research culture is essential to achieving enduring, superior risk-adjusted client returns.

Acadian integrates proprietary ESG signals across its investment process for the sole purpose of enhancing the prediction of risk-adjusted returns. We evaluate sustainability considerations both as return seeking and risk mitigating factors with the goal of improving clients' investment outcomes. Unlike generic ESG ratings, which are designed to serve a multitude of purposes, Acadian ESG signals seek to isolate specific information that the market is not already correctly pricing. The underlying relationships between ESG characteristics and future returns are often complex, calling for advanced analytical approaches, including machine learning. We set a high hurdle of statistical significance to evaluate signals, and we do not compromise on efficacy. We only add signals if we find that they show strong evidence of their ability to potentially enhance the prediction of returns. This applies equally to ESG signals too.

Many of our clients ask us to further integrate their values-based sustainability views into portfolios. Consequently, much of our work involves partnering with clients to meet their specific needs. We note that if an ESG consideration is deemed to be a source of alpha, then it would be integrated into our investment process. This means that clients' values-based views that go beyond the level of ESG integration within our alpha model require an evaluation of the trade-off between ESG exposure vs. alpha exposure.

The flow chart below shows the evolution of Acadian's Responsible Investing approach over the last twenty years.

Figure 1: Timeline of Acadian's Responsible Investing Approach
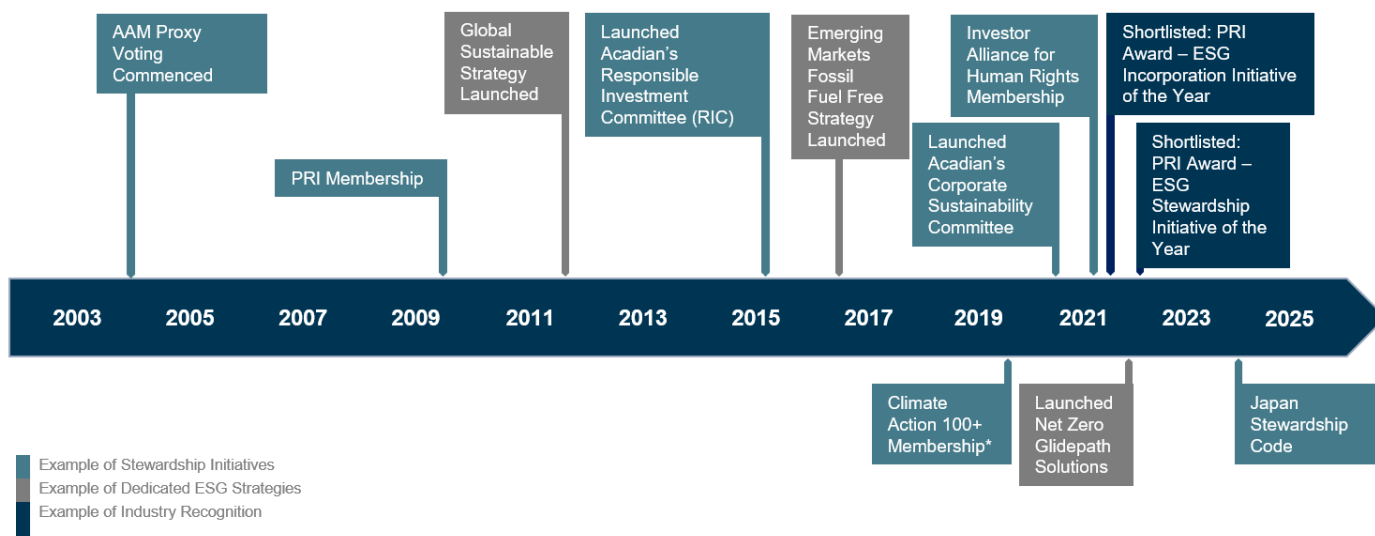
Acadian Asset Management (UK) Limited is the signatory for Climate Action 100+

Our investment process is underpinned by a culture of continual incremental innovation with a goal of ensuring the best outcomes for our clients. This includes research into climate signals to enhance the investment process, portfolio construction, deepening our approach to company engagements, and portfolio reporting and analytics.
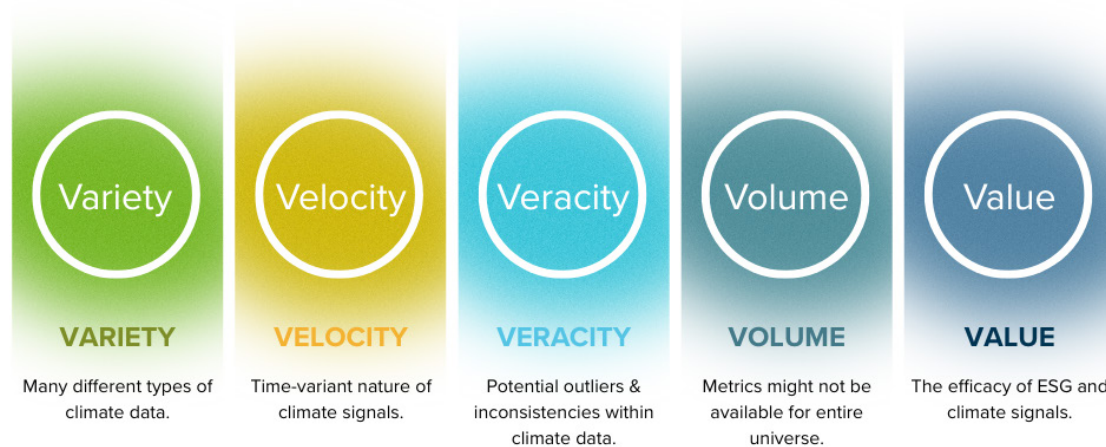
2. ESG Signals and Climate Data

We recognize that data scarcity, quality, consistency, and transparency can pose challenges in integrating ESG metrics into the investment process. To address these, we employ a multi-faceted approach that combines proprietary research, multiple data sources, advanced modeling, and company engagement:

1. Proprietary ESG Metrics: We develop ESG metrics using alternative datasets, machine learning techniques, and unstructured data sources. Our approach emphasizes forward-looking signals that have demonstrated financial materiality, ensuring consistency, comparability, and transparency in ESG integration.

2. Multiple Data Sources: To build a comprehensive ESG view, we combine structured data with unstructured sources, such as corporate sustainability reports, regulatory filings, transcripts and media news. These diverse sources help mitigate gaps and inconsistencies across data providers.

3. Data Imputation: Many ESG datasets have gaps, particularly when applied to our large investment universe which spans 40,000+ securities. We employ a proprietary model in the case of carbon emissions to impute missing data, improving coverage across global developed and emerging markets.

4. Data Verification & Quality Control: A dedicated team monitors data feeds and proprietary calculations through automated rules, filters, and exception reports, preventing suspect data from entering the investment process. We also work directly with data providers to resolve anomalies, such as inconsistencies in carbon emissions reporting.

5. Engagement to Improve Data Transparency: We engage with companies to encourage better ESG disclosures and improve reporting quality and consistency over time.

By combining these approaches – proprietary research, diversified data sources, machine learning-driven data imputation, rigorous quality control, and direct engagement – we systematically address ESG data scarcity and enhance transparency in our investment process.

Our analysis of climate data is characterized by the 5 'Vs', namely Variety, Velocity, Veracity, Volume, and Value:

Figure 2: Characteristics of Climate Data

VARIETY	VELOCITY	VERACITY	VOLUME	VALUE
Many different types of climate data.	Time-variant nature of climate signals.	Potential outliers & inconsistencies within climate data.	Metrics might not be available for entire universe.	The efficacy of ESG and climate signals.

VARIETY refers to the type of climate data. Given the increasing availability of alternative data, Acadian actively scouts for datasets (containing both structured and unstructured data) and employs data science techniques to help quantify the potential impacts of climate change.

Examples of structured data include:

Carbon emissions data – We source Scope 1 and 2 carbon emissions data from MSCI for the purpose of measuring the active carbon exposures of portfolios. Due to Acadian's large investment universe beyond MSCI's coverage, we further employ a proprietary model to impute missing emissions and intensity data.

Carbon management data – Our dedicated sustainability strategies integrate forward looking data to assess which companies appear best-in-class with regards to their management of carbon emissions.

Product-based revenue exposure – Our dedicated sustainability strategies apply a selective divestment approach that excludes companies that are either unwilling or unable to transition to a low carbon economy. This includes identifying the percentage of revenue that companies derive from thermal coal, conventional and unconventional gas.

Examples of unstructured data include:

Text – We integrate disclosures from corporate sustainability reports, regulatory filings, earnings call transcripts, shareholder proposals, corporate press releases, and news media sources. One example is the ability to identify companies' discussions around their decarbonization strategies and alignment to the TCFD pillars and science-based framework.

VELOCITY refers to the time-varying nature of climate signals. Acadian's carbon valuation adjustment model, for example, adjusts for regional differences in valuation multiples based upon investors' perceptions of carbon pricing that may impact high/low carbon emitters. This adjustment is market-derived and dynamic in nature.

VERACITY refers to the provenance of the data. Acadian monitors data feeds and proprietary calculations for exceptions using automated rules, filters, and exception reports that prevent suspect data from flowing downstream into the investment process. Our data team utilizes analytical techniques to identify outliers and work with data providers to resolve issues.

VOLUME refers to the amount of data relative to our investable universe. This is particularly an issue given that ESG data is reported on a voluntary basis by companies. Acadian has developed a proprietary methodology to impute missing Scope 1 and 2 emissions.

VALUE refers to the efficacy of ESG signals. We set a high hurdle rate to evaluate the robustness of signals across sectors and regions, and pervasiveness over time. We integrate signals based on empirical evidence of return-predictability and accretion to our investment process.

3.1 Solutions: Exclusions

Given the variety of clients' sustainability preferences, ESG constraints are only applied upon client request within segregated accounts and within our dedicated sustainable strategies. Approximately 40% of Acadian's AUM applies client-directed exclusions, most commonly related to controversial weapons, fossil fuel exposure, tobacco, and UN Global Compact violations. The following exclusions are typically applied to Acadian Sustainability strategies. Climate related exclusions are highlighted in Figure 3 below.

Figure 3: Acadian's Typical Exclusion Criteria for Sustainable Strategies

| Exclusion Criteria	Description
Tobacco	Manufacturers of tobacco products
Controversial Weapons	Cluster munitions, anti-personnel landmines, biochemical weapons and nuclear weapon systems
Norms Based Screening	UN Global Compact Violators, OECD Guidelines Violators and EU Sanctions List
Thermal Coal	>5% revenue* from thermal coal extraction
Fossil Fuel Laggards	>10% revenue* from fossil fuel extraction & power generation
	>60% of fossil fuel reserves in oil, and no evidence of willingness or ability to transition

As deemed by a third party provider
**Considers a company's carbon emissions performance along with forward-looking measures including emission reduction targets and actions being taken to meet these targets.*

Our broad investable universe and robust optimization tools result in the impact of constraints on ex-ante alpha exposure being typically non-concessionary. That is, we can often replace excluded securities with others that offer comparable alpha and signal theme exposures.

3.2 Solutions: Portfolio Decarbonization

Acadian branded UCITS article 8 funds and our strategies deploying sustainable considerations incorporate decarbonisation constraints. These can take the form of benchmark relative WACI reduction or decarbonisation glidepaths. Our decarbonisation glidepath approach is illustrated in Figure 4. We measure carbon exposure using a combination of weighted Scope 1 & 2 absolute emissions, WACI - Weighted Average Carbon Intensity, and Carbon Footprint. WACI is defined as weighted average carbon intensity calculated as metric tons of Carbon Emissions divided by the company's revenue (USD). Our glidepath methodology indexes the carbon exposure so that the exposure for the benchmark as at December 2020 is equal to 100. This is our reference point for setting an absolute decarbonization constraint.

Figure 4: Illustrative Example of Acadian's Net Zero Glide Path Solution
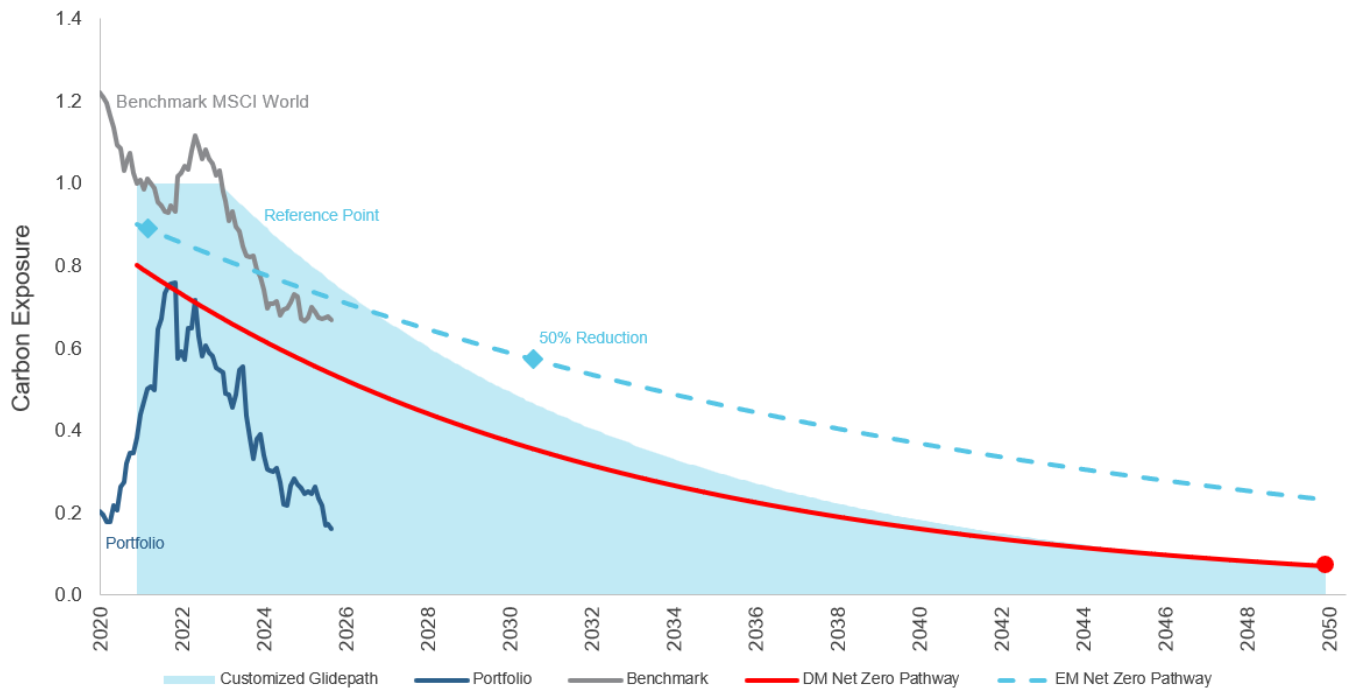
Source: Acadian Asset Management LLC, IEA. Acadian based on Carbon Data from MSCI. Carbon emissions are estimated by Acadian where coverage from MSCI is missing. The information provided is for illustrative purposes only based on proprietary models. There can be no assurance that the forecasts will be achieved. Index source: MSCI Copyright MSCI 2023. All Rights Reserved. Unpublished. PROPRIETARY TO MSCI.

The Paris Agreement advocates the need for the world to decarbonize by 50% between 2020 and 2030. From an investment perspective, this implies that the benchmark's carbon exposure needs to follow the path as indicated by the blue dotted line. Consequently, any portfolio within the blue shaded area is potentially aligned with a Net Zero pathway.

The choice determining where a portfolio should lie is based on two parameters:

1) an up-front reduction in portfolio carbon exposure relative a reference point (e.g. the benchmark's 2020 level), and

2) a percentage decarbonization rate that over subsequent years defines a smooth upper bound to the portfolio's carbon exposure. The parameters are illustrated by the red lines in Figure 4. The rates applied in Acadian's dedicated sustainability strategies are shown in the table below:

Figure 5: Acadian's Baseline Net Zero Decarbonization Glide Paths

Actions	Climate science recommendation	Carbon Reduction*	
		Developed Markets	**Emerging Markets**
Upfront Reduction	IPCC UN Emissions GAP Report	20% vs. benchmark**	10% vs. benchmark**
On-going Decarbonization		7% per annum	4% per annum
Sector Considerations		Additional targeted decarbonizations in Energy, Materials and Utilities sectors	

*Using Weighted Average Carbon Intensity (WACI) based on scope 1 and 2.
** vs. 2020 baseline

To complete the glide path specification, we add an additional control to regulate how the portfolio-level target is achieved. We impose a portfolio-level WACI constraint on each of the three most carbon-intensive sectors -- Energy, Materials, and Utilities. Doing so enforces some balance in terms of how the portfolio construction mechanism sources portfolio WACI reductions with the aim of selecting more carbon-efficient companies from within these sectors. We see this control as consistent with most investors' decarbonization objectives, and it reduces "concentration risk" in generating portfolio emissions reductions.

3.3. Solutions: Climate Opportunities

Many asset owners are looking to invest in a global shift to a lower carbon economy, believing that the transition will help to determine corporate winners and losers for many years to come. For such investors, however, the potential scope of the energy transition poses both an opportunity and a challenge. From an investment perspective, the primary beneficiaries of the transition include companies that foster the development and deployment of clean technologies. Second-order effects may be felt both by the suppliers of raw materials and component parts for these technologies as well as the consumers that use the technologies, while tertiary effects of the innovation spillovers may ripple through parts of life in ways that are yet to be imagined.

One recent alpha signal, called NLP GEO, draws upon Large Language Model techniques. The signal processes corporate disclosures to assess the credibility of companies' sustainability commitments and potential for greenwashing. The signal acts as a proxy for management quality by evaluating a company's ability to manage non-accounting issues within a firm. Our current research efforts are focused on furthering the use of LLMs to linguistically assess companies' sustainability commitments.

4. Stewardship

Acadian's approach to stewardship includes both direct engagements with investee companies on topics related to signals within our alpha model and a proxy voting program. The details of both of these approaches are highlighted below.
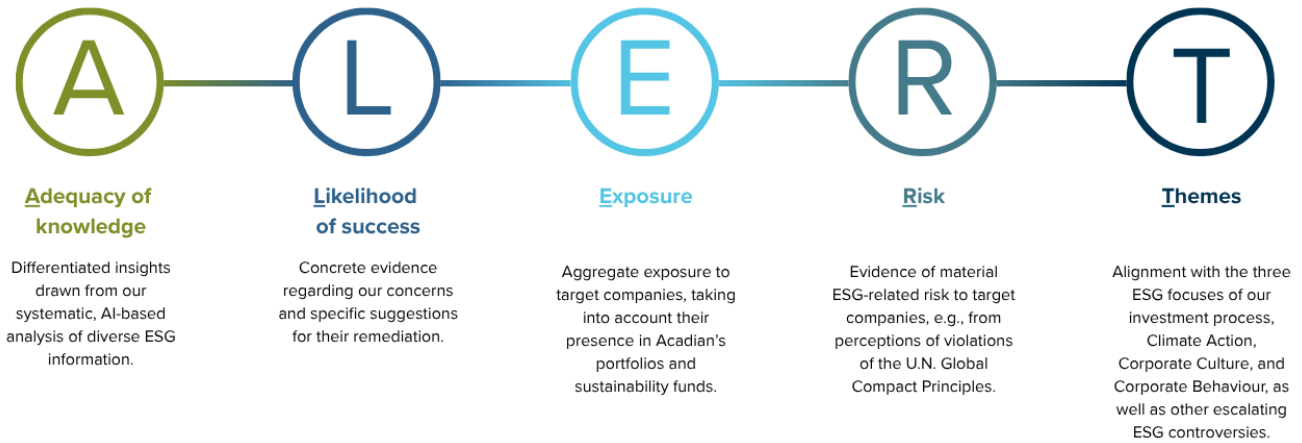
4.1 Engagements

Acadian defines engagements as: "constructive direct dialogue with investee companies on value-relevant environmental, social and governance issues." Our primary motivation for engaging with a company is for alpha reasons aligned to the material ESG issues that are aligned with our investment process and may result in improved investment outcomes. Engagements are directly aligned with the ESG signals within our investment process, which are organized around three core themes: Climate Action, Corporate Culture, and Corporate Behavior.

- **Climate Action** — We assess company disclosures on climate change risks, informed by Task Force on Climate-Related Financial Disclosures (TCFD), and board-level oversight of climate risk and overall climate strategy. Guided by the Science Based Targets initiative (SBTi), we examine company-wide emissions reduction goals and targets. These steps cover metrics included in our carbon adjustment of intrinsic value factor.

- **Corporate Culture** — We assess company compliance with the U.N.'s Guiding Principles on Business and Human Rights. We advocate for adherence to International Labour Standards for procurement, implementation of controls to prevent modern slavery throughout supply chains, and monitoring of subcontractors with respect to labour rights and health and safety.

- **Corporate Behaviour** — We focus on shareholder rights, which we view as critical to companies' long-term success. Those efforts focus on promotion of management transparency, board independence, and management responsiveness to financially material stakeholder concerns.

In keeping with the spirit of our broader investment process, we apply a systematic framework to engagement selection based upon the following criteria:

Figure 6: Engagement Criteria

| **Adequacy of knowledge**	**Likelihood of success**	**Exposure**	**Risk**	**Themes**
Differentiated insights drawn from our systematic, AI-based analysis of diverse ESG information.	Concrete evidence regarding our concerns and specific suggestions for their remediation.	Aggregate exposure to target companies, taking into account their presence in Acadian's portfolios and sustainability funds.	Evidence of material ESG-related risk to target companies, e.g., from perceptions of violations of the U.N. Global Compact Principles.	Alignment with the three ESG focuses of our investment process, Climate Action, Corporate Culture, and Corporate Behaviour, as well as other escalating ESG controversies.

One key decision criterion to the choice of engagement targets is financial exposure. Consistent with our fiduciary duties, we focus on companies where we have an overweight position, a condition under which our investors are likely to benefit the most from improvement in ESG-related corporate behaviours and characteristics. Another important factor is the quality of the evidence that we can bring to bear. We expect that companies will be more receptive to dialogue and remediation if we can provide them with targeted insights regarding our ESG concerns.

To complement our engagement strategy, we developed a proprietary AI-based tool named "ENGAGER" that seeks to detect greenwashers. The tool evaluates the directness and precision of companies' sustainability communications, and the consistency of their actions and words.

Suspected greenwashers can be candidates for engagement on the basis that such companies are unlikely to remediate ESG-related deficiencies and risks without being prompted to do so. By systematizing the search for greenwashers, ENGAGER allows us to screen large numbers of holdings to identify the most appealing targets for engagement with respect to decarbonisation and other ESG themes. Figure 7 illustrates a subset of the information that the system provides.

Figure 7: ENGAGER—A Stylized Illustration
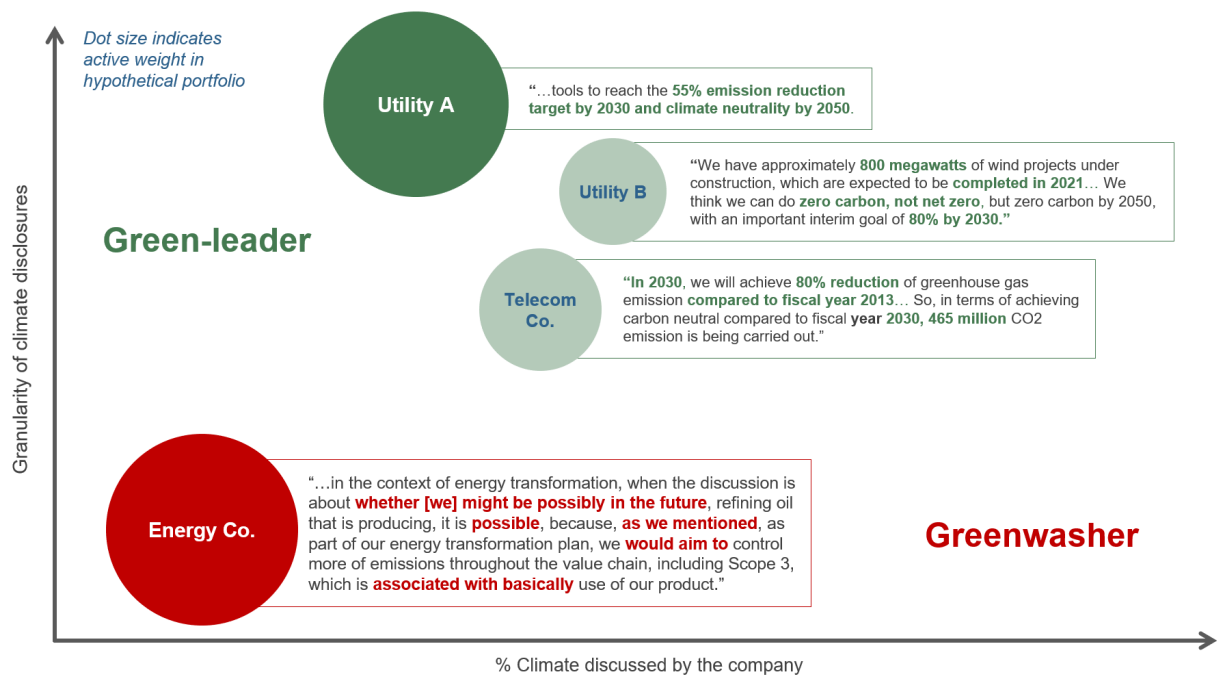
Source: Acadian. For illustrative purposes only. Please see https://www.acadian-asset.com/investment-insights/esg/esg-engagement-by-the-numbers for further details.

4.2 Third Party Initiatives

We are selective when associating with third party and collaborative initiatives, focusing on those that relate to issues that we find are financially material and are integrated in our investment process, relate to data and transparency, or represent issues that are important to our clients. We participate in these initiatives to share knowledge on best practices, gain greater understanding of emerging themes and to compare perspectives with like-minded investors. We do not participate in collaborative engagements.

### Figure 8: Selected Third Party Initiatives

CLIMATE ACTION		
Net Zero Asset Manager's Initiative	2021	Asset managers committed to supporting the goal of net zero emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5° C.
CORPORATE CULTURE		
Investor Alliance for Human Rights	2021	The organization seeks to further the responsibility for business to respect human rights using the UN Guiding Principles for Business and Human Rights framework.
CORPORATE BEHAVIOR		
Principles for Responsible Investing (PRI)	2009	Provides guidance on material ESG issues, best practices, and opportunities for collaboration. Acadian has joined PRI-led initiatives and is a member of the PRI Australian Advisory Committee.
ESG Research Australia	2019	Membership through the Responsible Investment Association Australasia (RIAA) which aims to increase the quality and quantity of ESG stockbroker research.

Source: Acadian. Additionally, through Acadian or our wholly-owned affiliates, we are members of Climate Action 100+ (Acadian Asset Management (UK) Limited) and Investors Against Slavery & Trafficking (Acadian Asset Management (Australia) Limited). We are also signatories of the Japanese Stewardship Code.

From time to time, we may also interact with policy makers and regulators by providing views on ways to improve the quality of corporate disclosures. One example in 2023 included providing feedback to the UK's FCA (Financial Conduct Authority) on their SDR (Sustainability Disclosure Requirements) consultation. We provided feedback on SDR's three proposed sustainable investment labels and advocated for alignment between SDR and other regulation where possible. We align our interactions with policy makers to themes and signals that are integrated into our investment process and, in turn, these signals and themes have been integrated for the sole purpose of enhancing risk-adjusted returns.

4.3 Proxy Voting on Climate Issues

Figure 9: Analysis of Shareholder Proposals Voted on in 2024
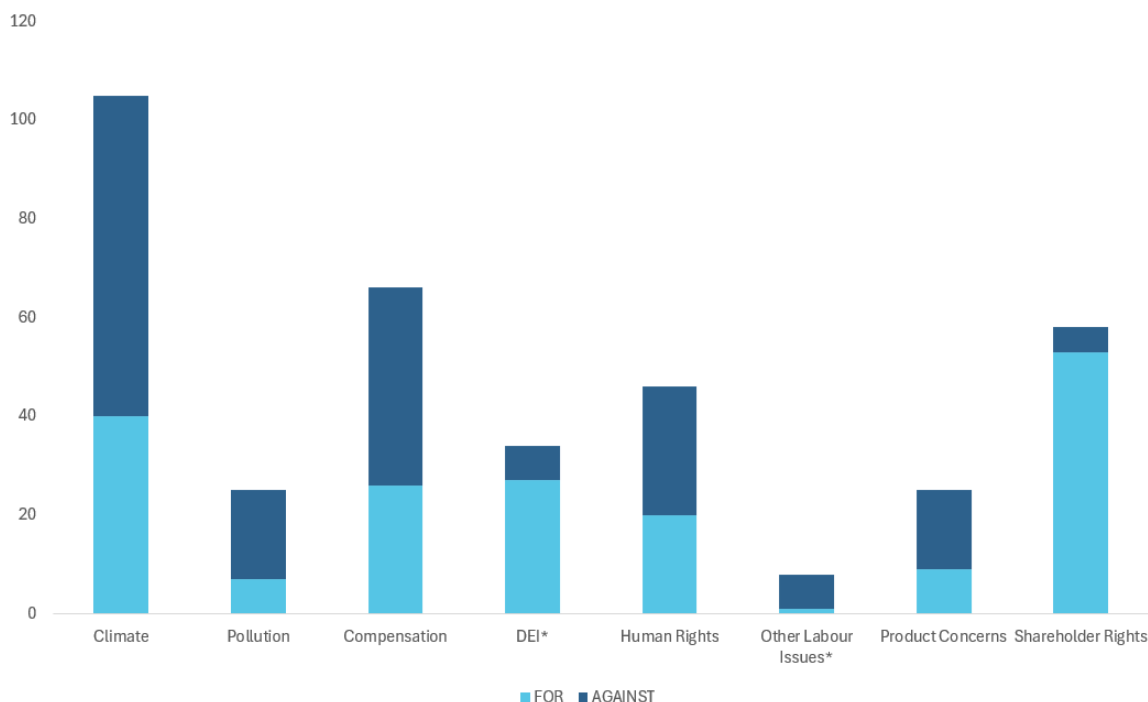
Proxy voting enables shareholders to influence a company's operations and decisions by voting at a company's Annual General Meeting (AGM). Voting is the right of every shareholder. Typically, the AGM agenda features a variety of ballot items (known as resolutions or proposals) on which shareholders are asked to vote. Examples include the re-election of directors, approving the company auditor, the authorization of additional common stock, mergers and acquisitions, and executive compensation. Similarly, investors can formally submit their own recommendations to companies, including environmental, social, and governance recommendations as shareholder proposals. For each item on the ballot, management will typically issue a voting recommendation (For or Against).

We view the proxy voting process as an opportunity to encourage continual improvement and ensure that our clients' interests are represented and protected. Our proxy voting is delegated to ISS who, in the majority of strategies those votes are cast by ISS in accordance with the ISS Benchmark Voting Policy. For Acadian branded funds where Russell Investments is the ManCo, note that Glass Lewis proxy voting policies are used, including the Glass Lewis ESG policy for those funds which incorporate significant ESG Solution considerations. If delegated voting responsibility, Acadian will utilize ISS to vote most typically in accordance with the ISS Benchmark Voting Policy. 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 instructs 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.

For separately managed accounts we follow client instructions when voting on significant greenhouse gas emitters. Clients can instruct us to vote for or against management in these scenarios. If a client has delegated voting to us and not stated a preference the ISS benchmark voting policy will be used. This policy has the potential to vote against or withhold from the incumbent chair of the

responsible committee (or other directors on a case-by-case basis) in cases where it is determined that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change. The minimum criteria required to be in compliance include detailed disclosure of climate-related risks according to the TCFD framework.

Similarly, in the context of separately managed accounts, we follow client instructions when voting on climate transition proposals and clients can instruct us to vote for or against these proposals. If a client has delegated voting to us and not stated a preference the ISS benchmark voting policy will be used. This policy can take into account the completeness of climate transition proposals including disclosure of a company's operational and supply chain GHG emissions (Scopes 1, 2, and 3), the completeness of a company's short/medium/long-term emissions targets, whether the company has sought and received third-party approval that its targets are science-based, whether the company has made a commitment to be Net Zero by 2050 and the company's related commitment, disclosure, and performance compared to its industry peers.

III. RISK MANAGEMENT

Investment Process Risk Management

Acadian integrates material climate signals into the core investment process to enhance the prediction of risk-adjusted returns.

Our climate research is informed by the TCFD framework which distinguishes between Policy and Litigation risk, Technology Risk, Market Risk and Reputational Risk:

Litigation risk: This includes the failure of companies to mitigate or adapt to climate change and insufficient disclosure around material climate-related risks. We integrate this risk through adjustments to industry return forecasts, particularly when regulatory developments impact an industry's perceived 'license to operate'.

From a reporting perspective, we are able to produce a monthly carbon footprint report for all portfolios. These reports show weighted carbon emissions, carbon intensity, and carbon footprint at portfolio and benchmark levels. It also shows the percentage of companies with decarbonization targets and whether they are approved/committed science-based targets.

Acadian's research finds that climate risks and opportunities are typically not correctly priced by investors. Examples of how transition and physical risks can materialize for companies include:

- Direct regulatory costs for companies with carbon-intensive business activities.
- Operational disruptions from extreme weather events that are more unpredictable or impactful.
- Disruptions to upstream and downstream supply chains.
- Stranding of company assets, either due to GHG regulations, rapid technology switching, changing cost structures, or physical risks (chronic and acute).

Following the TCFD framework, we differentiate between Policy and Litigation Risk, Technology Risk, Market Risk and Reputation Risk, as follows:

Policy and Legal Risk: Acadian integrates market perceptions of stranded asset and transition risk/opportunities directly into company valuation multiples to avoid value traps - stocks that appear cheap due to underpriced carbon risk. These discounts can vary by region and over time, depending on market sentiment and/or regulation. For example, in Europe the EU Emissions Trading System increases costs for carbon-intensive firms, while in the U.S. such regulation remains less widespread. Because this adjustment is market driven, it evolves automatically with policy developments and investor sentiment.

Figure 10 illustrates the magnitude of Acadian's carbon valuation adjustment conditional upon securities' environmental characteristics. We observe a monotonic relationship – those securities with higher exposure to fossil fuels, thermal coal, and carbon intensity receive a higher valuation discount.

Figure 10: Illustrative Example of Acadian's Carbon Valuation Adjustment Model
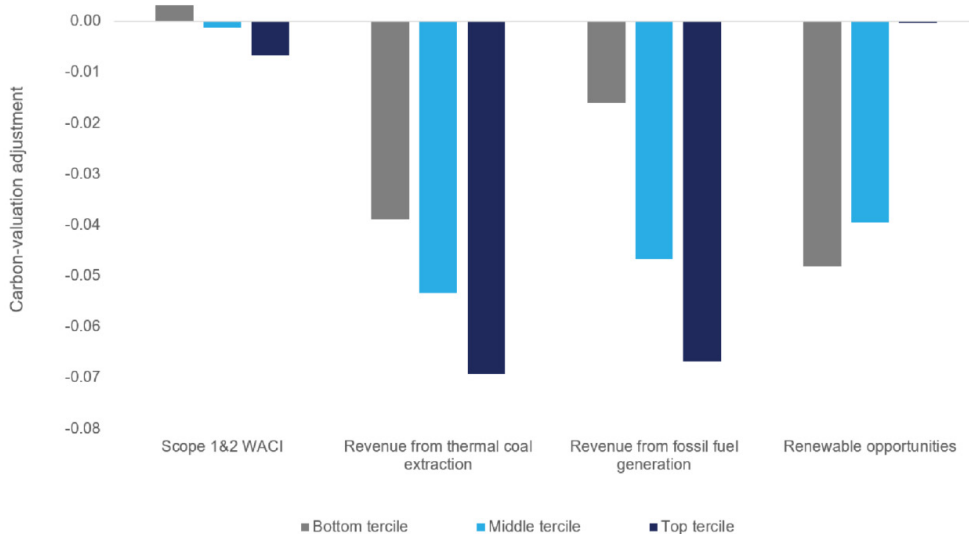
Additionally, we have developed proprietary climate analytics, including a probabilistic model that assesses company-level carbon trajectories against IPCC socioeconomic pathways and Net Zero alignment. These insights are used for engagement purposes to hold companies to account on their decarbonization plans.

Technology Risk: This refers to innovation that facilitates the transition to a lower-carbon economy such as renewable energy, energy efficiency, and carbon capture and storage. At client request, we can implement portfolio constraints targeting green-to-brown revenue tilts and/or alignment to the Net Zero Investment Framework (NZIF). These constraints are not part of our core investment process and are instead available in segregated mandates upon client request.

Additionally, we are able to capture environmental innovation is through the text analysis of companies' disclosures. Acadian's Green Economy opportunities (GEO) model reads companies' disclosures (including earnings call transcripts, regulatory filings, press releases, and company sustainability reports) to score companies' perceived alignments to the energy transition. Figure 11 provides illustrative examples of sentences for each GICS sector, highlighting the variety of energy transition topics covered and the ability to capture industry specific information. For instance, the words highlighted in dark blue capture companies' discussions of their decarbonization plans, while the words in light blue refer to discussions around renewable energy.

Figure 11: Illustrative Examples of Sentences from Acadian's GEO Model

Source Acadian. Please see: https://www.acadian-asset.com/investment-insights/esg/a-machine-learning-based-approach-to-thematic-esg-investing for further details.

As the left panel of Figure 12 below shows, GEO scores predict one-year-ahead changes in carbon intensity. Specifically, if we sort securities by the GEO signal, we see a monotonic pattern of subsequent peer-relative declines in carbon intensity. The right panel provides corroborative evidence, showing that companies with the highest GEO scores are more likely to commit to science-based targets or hold a higher proportion of green patents. The demonstrably forward-looking nature of GEO contrasts with conventional climate metrics, such as scope 1 and 2 emissions, which are backwards-looking and often reported with a lag.

Figure 12: GEO Environmental Characteristics

Subsequent Y-O-Y Change in Carbon Intensity

Association with Other Climate Attributes
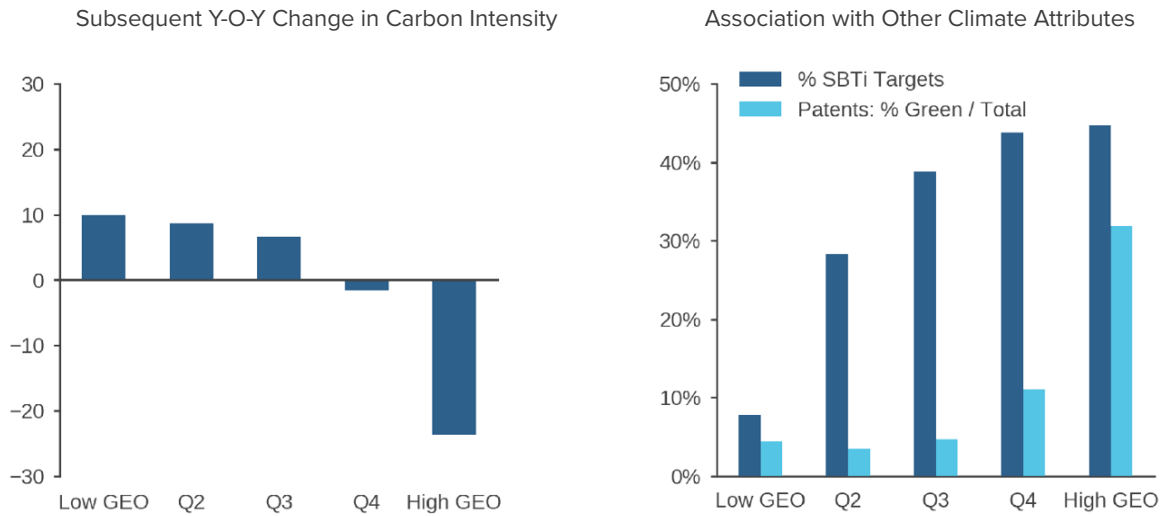
Both charts: Data for stocks in a DM + EM equity universe is sorted into quintiles by proprietary GEO score. Left chart: Average one-year forward change in peer-relative (demeaned) carbon intensity 2010-2020. Right chart: Patent data is from MSCI as of April 2022. Sources: Acadian based on data from the Science Based Targets initiative and MSCI. MSCI data copyright MSCI 2023. All rights reserved. Unpublished. PROPRIETARY TO MSCI. For illustrative purposes only. Please see: https://www.acadian-asset.com/investment-insights/esg/a-machine-learning-based-approach-to-thematic-esg-investing for further details.

Market and Reputational Risk: Changing investor, customer and societal expectations can affect company valuations. Acadian's peer model captures these risks and opportunities by identifying company interdependencies that may transmit across the value chain.

We identify nodes representing different aspects of ESG concerns that were discussed in climate-related media reports. The links between the nodes map out interdependencies across the topics as inferred from the analysis. Each node is gauged in terms of the media's perception of the severity of risk associated with that facet of the topic. We apply this "unsupervised" machine learning technique to systematically identify escalating ESG risks within portfolios.

Enterprise Risk Management

As a firm, Acadian takes a robust approach to enterprise risk management, including climate risk. We regularly assess risks to the firm and mitigation tactics. The following is an abridged extract from our firmwide risk matrix, showing the sections focused on climate risk.

Figure 13: Climate Related Enterprise Risks

RISK	RISK DESCRIPTION	CONTROL DESCRIPTION
Climate-Related Market Risk	Climate-related risks could impact Acadian's AUM and reduce investment management revenue. Client preferences and/or new regulation to which our clients are subject could change demand for certain investment products offered by Acadian.	Acadian has a Responsible Investing Committee, chaired by the Director of Responsible Investing, Andy Moniz. The Committee is comprised of senior executives including Acadian's CEO, CIO, and CCO. The committee convenes to discuss integration of ESG considerations across Acadian's investment process.
Climate-Related Reputational Risk	Stakeholder concern and/or associated activism related to the impact of Acadian's client portfolio holdings on the climate could create reputational risk, and/or reduce client and employee loyalty.	Acadian takes a holistic approach to ESG meaning that insights are discussed and integrated across the firm. Researchers conduct ESG related alpha research, PMs are involved in understanding, measuring and monitoring ESG related exposures in portfolios. Our ESG approach is to act in the interests of our clients and we integrate ESG signals for the sole purpose of enhancing risk-adjusted returns.
Climate-Related Regulatory Risk	New environmental and sustainability-related disclosure requirements, or regulations or taxes that apply to Acadian's investment products or other aspects of Acadian's operations could increase costs or make Acadian's products less desirable to clients.	The Compliance team monitors regulatory requirements, and ensures appropriate procedures are in place to meet Acadian's obligations. The Executive Committee and the Compliance and Risk Committee both approve the Compliance manual, which contains all compliance policies and procedures.
Climate-Related Physical Risk	Increased severity of climate-related events could affect our operations, to the extent such events impact our office locations and operations.	Acadian has established business continuity and disaster recovery programs to facilitate the continuity of business in the event of a business disruption, including those related to physical climate risks.

IV. METRICS & TARGETS

Investment Process

Researchers and portfolio managers at Acadian examine ESG risk and return information as part of their daily roles. ESG metrics are available for all client portfolios. Portfolio managers have extensive knowledge on each of the factors in the alpha model, including ESG factors. Portfolio managers also utilize a series of investment tools to analyze the ESG characteristics of portfolios. This includes the provision of a stock forecast page that decomposes the ex-ante proportion of a company's return forecast that is driven by ESG signals. These tools also enable portfolio managers to run Brinson attributions of portfolios to explain the contribution of ESG signals on an ex-post basis.

Client Reporting

Responsible investing reporting is available to clients and includes ESG portfolio characteristics reports, proxy voting results, and engagement outcomes. In addition, we offer environmental reporting such as a carbon report which shows total carbon emissions and carbon intensity details / exposures by industry and region at the portfolio level compared to the client's mandated benchmark. An example of this is shown above in Figures 14 and 15. These metrics are built into our internal portfolio management tools allowing us to drill into the drivers of these carbon exposures.

We regularly engage with clients regarding ESG and climate, including through these communication policies and reports:

• Responsible Investment Policy: Acadian's Responsible Investment Policy is reviewed annually and posted on our website. It details the organization, governance, dedicated resources, ESG approach, and methodology, and exclusion policies.

• Voting Policy: Acadian's Voting Policy is reviewed annually and provided to clients upon request.

• Engagement policy: Acadian publishes a Stewardship Report every year, outlining our engagementswith investee companies.

• Sustainability Frameworks: Documents we produce outlining our sustainable approach which are publicly available on our website.

ESG & Carbon Report: We have created a series of reports, compiled with a leading UK independent climate consultant, covering sustainability at corporate / group level, with a focus on corporate carbon footprinting.

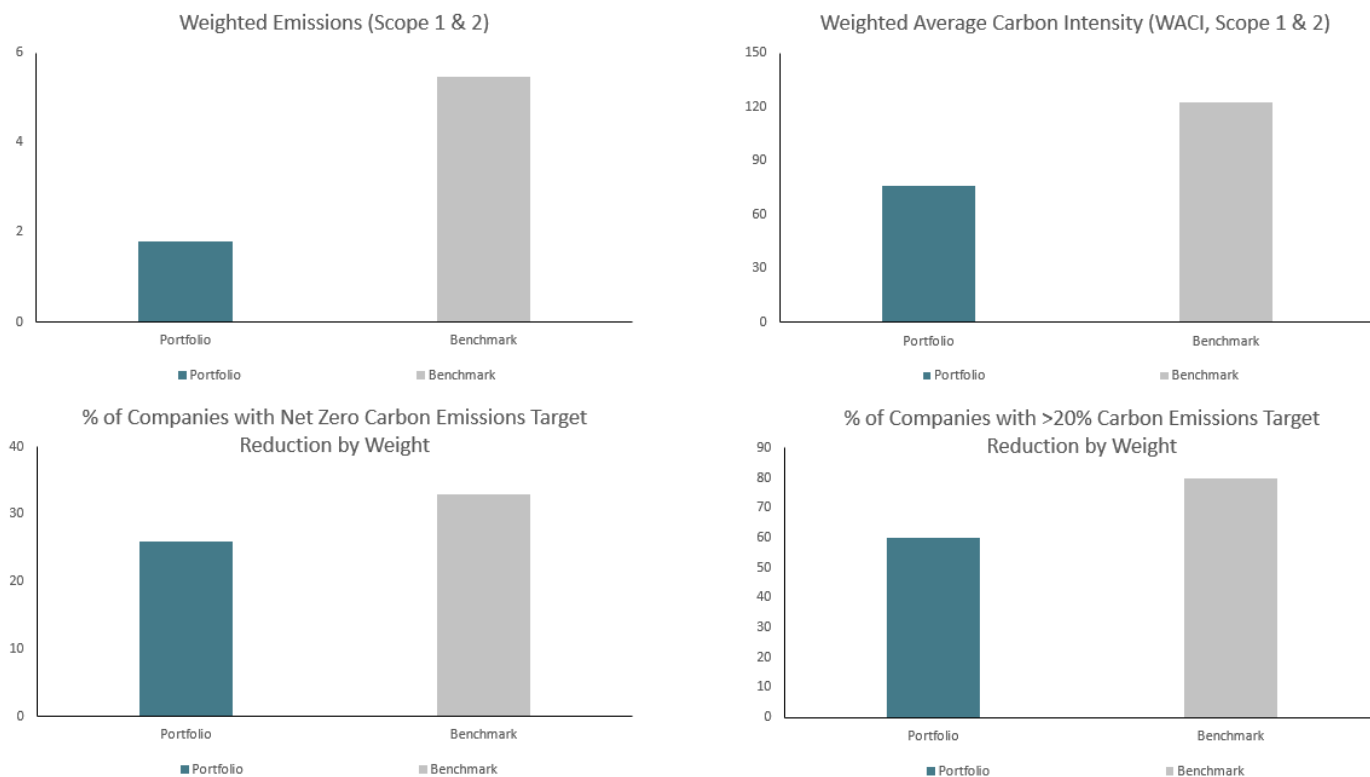## Figure 14: Sample Report - Carbon Charts

Figure 15: Sample Report - Carbon Table

BREAKDOWN OF COMPANIES' CARBON EMISSIONS (SCOPE 1 & 2)

Source	Portfolio	Benchmark
Reported	81.39%	93.87%
MSCI Estimated	14.05%	5.91%
Acadian Imputed	3.84%	0.22%

PORTFOLIO CARBON PROFILE

Carbon Metrics	Portfolio	Benchmark
Total Carbon Emissions (Market Cap) (tons CO_2e)	10,803.07	14,773.77
Carbon Footprint (Market Cap) (tons CO_2e / $M invested)	38.93	53.24
Carbon Intensity (Ownership, Market Cap) (tons CO_2e / $M revenue)	62.43	127.47
Total Carbon Emissions (EVIC) (tons CO_2e)	6,674.52	9,449.16
Carbon Footprint (EVIC) (tons CO_2e / $M invested)	24.05	34.05
Carbon Intensity (Ownership, EVIC) (tons CO_2e / $M revenue)	54.1	117.77
Weighted Scope 1 & 2 Carbon Emissions (metric tons)	2,451,826.04	5,315,700.58
Carbon Intensity (WACI) (tons CO_2e / $M revenue)	29.86	96.42
Coal Ownership	0.00%	2.28%
Fossil Fuel Ownership	1.56%	6.27%
Oil and Gas Extraction revenue %	1.50%	4.00%
Oil and Gas Generation %	2.73%	4.84%
Oil and Gas revenue %	3.76%	10.28%
SBTi Approved	34.94%	46.22%
SBTi Committed	11.51%	13.57%
Thermal Coal Generation %	1.46%	3.08%
Thermal Coal Mining revenue %	0.00%	0.70%
Unconventional Oil and Gas Ownership	0.39%	3.83%

Acadian's Corporate Carbon Footprint

Acadian has defined a set of corporate carbon objectives as follows:

- Investigate the purchase of renewable energy certificates for the energy we used.
- Support environmental protection volunteering hours.
- Require information from vendors on their sustainability practices as part of the bid/selection process.
- Ensure our preferred catering and cleaning service providers engage in sustainable practices.
- Reduce paper consumption and waste through digitization agenda.
- Reduce firm-wide energy and water utilization.
- Commit to a sustainable travel policy and encourage low-impact commuting through bike storage and public transportation incentives.

To ensure Acadian can track and set targets for carbon emissions, we collaborate with a leading climate consultancy who independently calculate our company carbon footprints (CCFs) in conjunction with a research project to assess firmwide scope 1, 2 and 3 carbon emissions. The consultancy covers all four Acadian offices (London, Boston, Sydney, and Singapore). The remit of the project is to explore the carbon emissions associated with each of our offices and commit to reduction. We will continue to track and respond to quantitative information on Acadian's carbon footprint going forward.

Figure 16: Acadian's Corporate GHG Emissions

	2024	
	tCO$_2$e	%
Scope 1	**7.56**	**0.15**
Stationary Combustion	0.00	0.00
Refrigerant Leakage /Fugitive emissions	7.56	0.15
Scope 2	**601.97**	**11.74**
Purchased Electricity (Stationary)	599.56	11.69
Purchased Cooling	0.00	0.00
Purchased Heating	2.41	0.05
Scope 3	**4519.15**	**88.12**
Employee Commuting and Working From Home	313.87	6.12
Upstream Emissions Electricity	171.73	3.34
Upstream Emissions Cooling	0	0
Upstream Emissions Heat	0.4	0.01
Business Travel- Flights*	3844.43	74.96
Business Travel- Hotels	55.46	1.08
Rental and Private Vehicles	1.85	0.04
Rail	0.87	0.02
Electronic Devices	72.93	1.44
Food and Beverages	41.73	0.81
Water	5.49	0.11
Office Paper	0.88	0.0002
External Data Centre	2.56	0.05
Operational Waste	7.35	0.14
Overall Results	**5128.69**	**100**

Direct and Indirect GHG Emissions (Scopes 1, 2 & 3)

* The Radiative Forcing Index (RFI), a multiplier used when measuring air travel-related emissions, changed from 3 to 2 in 2023. This change aligned with the average that is used in the industry across carbon accountants and government data such as Department for Environment, Food & Rural Affairs (DEFRA).

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