

# RESPONSIBLE INVESTMENT STATEMENT

MARCH 2017

Acadian believes that well-governed, sustainable businesses have the potential to make a positive contribution to active returns in our portfolios over time. Our investment approach is highly systematic and uses quantitative models to assess stocks. We continuously look to incorporate Environmental, Social and Governance (ESG) considerations in our investment process either as return seeking or risk mitigating factors.

Acadian became the first quantitative manager to sign the United Nations Principles for Responsible Investment (UN PRI) in 2009, demonstrating our recognition of the importance of these issues. We share the philosophy that non-financial considerations may impact investment returns and risk, and we integrate an analysis of such issues in our investment process.

We incorporate responsible investment considerations in a number of ways:

## 1. Integration of ESG:

- **Environmental:** We offer a wide set of investment options as risk controls or portfolio tilts. For example, Acadian has the capability of tilting portfolios toward a given carbon emissions target, which may limit the carbon exposure of the portfolio.
- **Social:** Acadian monitors political profiles to impact country exposures in frontier markets. We also believe labor practices in commodity sectors are a relevant consideration in assessing corporate asset quality.
- **Governance:** We believe that investing in companies with strong governance profiles has the potential to enhance returns. We utilize a related factor in our bottom-up framework that includes considerations of board independence, litigation and fraud potential.

At client direction, Acadian can also apply exclusionary screens that address business involvement, sector or region exposure, international norms, or corporate ESG practices.

For each of our portfolios, we assess portfolio-level ESG characteristics compared to their benchmarks. We evaluate the overall ESG rating, individual Environmental, Social and Governance characteristics, as well as stock specific drivers. These reports are provided to clients where of interest.

## 2. Active Ownership:

- **Proxy Voting:** We will vote proxies when delegated proxy voting responsibility by our clients. We have adopted the voting policy of an industry-leading proxy provider, which casts votes according to agreed-on principles relating to such issues as board structure, accounting policy, share issuance, and others. We will also vote in accordance with client directed voting policies if so directed.
- **Engagement:** Acadian uses multiple avenues to engage with companies, including partnership with a third party, collaborative engagements that align with our investment policy, and direct communication with holding companies with poor ESG performance. Our objective is typically to communicate best practices, improve corporate behavior, and promote transparency of ESG data.
- **Letter Writing:** Acadian has recently launched a pilot letter writing program, in which we communicate actively with our holdings companies. We identify companies where we have significant holdings but the company may score poorly on a given ESG issue. Our objective is to communicate best practices and improve corporate behavior.

Signatory of: