



Stewardship Report

2023 ACADIAN ASSET MANAGEMENT



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ACADIAN ASSET MANAGEMENT

STEWARDSHIP REPORT

FOREWORD

Acadian Asset Management LLC is a Boston-headquartered and SEC-registered investment manager. 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 investment management strategies for our clients.

Acadian has a long history and deep experience with Responsible Investing, systematically integrating ESG signals into investment decisions alongside company fundamentals. Acadian was the first quantitative asset manager to become a signatory of the Principles for Responsible Investing (PRI) in 2009. We joined the Net Zero Asset Managers initiative in 2021.

Our commitment to ESG innovation is focused on enhancing returns. This is underpinned by our proprietary empirical research which finds that investors typically underreact to a range of non-financial information, resulting in security mispricings. We believe these mispricings are, in part, attributable to ESG factors, given the difficulties associated with collecting, processing and deciphering the materiality of sustainability considerations. In our view, a systematic process is the most effective way to analyse ESG return drivers and implement them successfully in portfolios. Systematic investing's central features—its use of alternative data, structured forecasting methods, and flexible portfolio construction—help us extract alpha from ESG concepts and align portfolios with clients' ESG-related needs.

We believe that the benefits of this systematic approach also extend to stewardship and engagement. Our approach of using network centrality to identify target companies and engagement tipping points earned Acadian a nomination for a PRI award in 2022. We were also nominated in 2021 for our use of machine learning on hard and soft ESG data and the creation of our ENGAGER tool to measure greenwashing risk.

PURPOSE, STRATEGY & CULTURE

MISSION AND VALUES STATEMENT

Acadian's mission is to be our clients' most valued resource for investment insight and success. We continually work toward this goal with a focus on:

Client Collaboration

We act with integrity, honesty, and clarity to forge candid and productive partnerships with clients. Working collaboratively with our clients has helped us to understand the industry landscape and focus our research agenda and strategy development on the areas that we believe will best serve evolving needs. This core value is manifest in the number of Acadian investment strategies that are the direct result of client collaborations over the years.

Innovation

We believe that continual innovation in client-serving investment approaches is essential in a rapidly changing and increasingly competitive world. Innovation is manifest in the continual quest for improvement we have sought in our decision-making frameworks over time, our development and adoption of cutting-edge tools and techniques, and the introduction of strategies beyond our core capabilities to meet clients' risk and return objectives, from managed volatility, to systematic macro, to alternatives.

Inclusion and Sustainability

People are our greatest asset, and we work to provide an environment of trust, respect, support, and accountability. We strive to develop a diverse and collegial team where differences are valued in a culture of openness and cooperation, and where each individual is empowered to contribute their own unique talents and realize their fullest professional potential. These values are embedded in a Diversity, Equity, and Inclusion strategy centred around commitment, measurement, and high-impact programming.

We are similarly intent not only on developing innovative solutions to meet our clients' sustainability needs but also on mapping the impacts of our own business on the environment. We have a number of committees firm-wide including a Corporate Sustainability Committee, chaired by our CEO, to address and examine sustainability opportunities that are relevant for our business to manage our environmental footprint responsibly.

Openness

We value candour in all client and employee interactions, seeking to create an environment where views are respectfully, clearly, and honestly discussed, and where we actively engage on issues, even if difficult. This value is manifest in the disclosure that Acadian makes to clients about the key elements of the investment process, the lengths to which we go to ensure that our approaches are fully understood by our clients, and the communication we encourage among employees, management, and senior leadership.

Engagement Aligned to Strategy

The objective of Acadian's engagement strategy is to act in the interests of our clients by communicating best practices and improving corporate practices. Our efforts focus on direct company engagements aligned with ESG topics that are integrated into our investment process as signals - climate action, corporate culture and corporate behaviour - 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.



GOVERNANCE STRUCTURE, RESOURCES & INCENTIVES

GOVERNANCE

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 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

The four committees below report to the EMT:

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 is chaired by our CEO. The committee meets at regular points 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 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.

Working Groups

Further to these committees, Acadian has several working groups designed to investigate key investment topics and provide updates to the firm at large. The ESG Working group combines external facing client group members collaborating with the ESG investment team to focus on marketplace feedback, messaging, marketing materials, and content priorities.

INTERNAL RESOURCES

Acadian's responsible investment team consists of experts who spend 100% of their time on ESG investing and research.

Andy Moniz, Director of Responsible Investing (Acadian Asset Management (UK) Limited), oversees Acadian's Responsible Investing policy and leads Acadian's global ESG efforts, related research initiatives and active ownership tactics. Andy heads up a dedicated ESG team with specific focus and expertise in ESG areas related to climate analytics, climate research, data, alpha research, machine learning, data science, engagement, and portfolio construction. The team includes:

- SVP, Portfolio Manager, ESG, Matthew Picone - Acadian Asset Management (Australia) Limited
- SVP, Portfolio Manager, ESG, Devin Nial - Acadian Asset Management LLC
- AVP, Associate Portfolio Manager, ESG, Jerry Yu – Acadian Asset Management LLC

The team is also supplemented by a dedicated ESG Product Strategist:

- VP, Product Strategist, ESG, Chris Hayes - Acadian Asset Management (UK) Limited

It is additionally supplemented by a dedicated Engagement Associate:

- Associate, Engagements, ESG, Reet Arora - Acadian Asset Management (UK) Limited

The team's focus and experience is shown below.



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

Industry experience: 24 years | ESG experience: 13 years | Focus: Data science, engagement



Matt Picone, CFA** | ESG Portfolio Manager

Industry experience: 20 years
ESG experience: 13 years
Focus: Portfolio construction, engagement



Devin Nial | ESG Portfolio Manager

Industry experience: 19 years
ESG experience: 4 years
Focus: Alpha research, machine learning



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

Industry experience: 4 years
ESG experience: 3 years
Focus: Climate analytics, engagement



Chris Hayes§** | ESG Product Strategist

Industry experience: 17 years
ESG experience: 9 years
Focus: Product development, alternative ESG data



Reet Arora§** | ESG Engagement Associate

Industry experience: 2 years
ESG experience: 2 years
Focus: Stewardship process

* - Based in Acadian's London Office, ** - Based in Acadian's Sydney Office

EXTERNAL RESOURCES

We tend to not use 'off-the-shelf' ESG ratings within our investment process. Instead, we find greater value collecting and processing unstructured data using a variety of techniques including machine learning and NLP. We only integrate ESG signals when we find sufficient empirical evidence of their efficacy for predicting risk-adjusted returns.

That said, we integrate third-party ESG data for segregated accounts and in our dedicated sustainability funds. Examples include values-based exclusions based on product revenue thresholds (alcohol, tobacco, fossil fuel exposure) and norms-based exclusions (weapons, perceptions of UN Global compact violations). We find that the impact of such exclusions is typically non-concessionary in terms of alpha degradation due to Acadian's large investment universe and the ability of our broad universe and highly calibrated portfolio construction process to find securities with similar alpha characteristics to those excluded.

CONFLICTS OF INTEREST

POLICY

Acadian's Conflict of Interest policy seeks to try 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

One of the tasks of the compliance officers, Enterprise Risk Officer, and Acadian's Compliance and Risk Committee is to identify potential and actual conflicts that occur within our investment processes and operations (systemic conflicts) and establish the mitigating factors Acadian has in place or needs to adopt to address each conflict. Conflict assessments are an ongoing and consistent focus. Any material conflicts that are identified during the course of the year are promptly addressed.

At least annually, all material conflicts that have been previously identified, along with the mitigating factors in place to address each, are reviewed and reflected in our Compliance Manual. Conflicts are also communicated to all clients annually and to each prospective client, as appropriate, prior to contracting. Any non-systemic conflicts that are identified that are unique to a specific client account are addressed directly with the impacted client.

In the context of Stewardship and Engagement, Acadian has a duty to vote all proxies in the best interest of each client who 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 policies and procedures agreed to by ISS and Acadian. Acadian retains oversight and supervisory responsibilities for the voting process.

PROMOTING WELL-FUNCTIONING MARKETS

Acadian identifies and responds to market-wide and systemic risks to promote a well-functioning financial system. We view risk management as a critically important component of our business, essential to realizing our strategic objectives.

RISK OVERVIEW

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 disclosures. The Compliance and Risk Committee meets as needed but typically at least quarterly.

While Acadian's Board of Managers and Executive Committee are responsible for overall firm risk, Acadian's Enterprise Risk Officer is responsible for compliance, regulatory, and day-to-day operations risk including maintaining our Enterprise Risk Management program and acting as a liaison with Acadian's parent company's, BrightSphere Investment Group ("BSIG").

Investment risk is managed by our portfolio management team within our structured investment process under the direction of our Chief Investment Officer.

ENTERPRISE RISK

Acadian has instituted an enterprise risk management framework that focuses on strategic, operational and compliance risks. Examples of the core activities of this framework are described below. Risks are first identified within each business unit. Controls in place to mitigate the risks identified are noted and tested. All risks are then scored considering probability of outcome and potential impact to the firm. This process occurs at least quarterly with reports provided to both our Executive Committee and Board of Managers as well as the risk group at our parent company.

ACTIVITY	PROCESS
Policies and Procedures	Maintain current and appropriate policies and procedures. Reviewed regularly and updated as needed.
Quarterly Risk Assessment and Associated Reporting	Facilitate a thorough and accurate risk assessment by reviewing and validating risks with all business owners on a quarterly basis. This assessment includes: · Risk Identification · Risk Ownership · Risk Mitigation · Risk Evaluation (Both inherent and residual risks) The assessment is shared with the Executive Committee and the Board each quarter.
Internal Controls Testing	Develop and execute an annual controls test plan. This includes a review of Acadian's Compliance Program as well as operational processes and controls. Testing includes ongoing monitoring as well as forensic-based tests.
Internal Process Reviews	Perform process/controls reviews over areas where concerns are identified. Help identify issues and promote continuous improvement.
Operational Error Reviews	Track and escalate operational errors. Help identify root causes and institute appropriate mitigation plans. Verify mitigation plans are executed.
Data Security/Privacy	<ul style="list-style-type: none"> · Anti-virus and anti-spam software · Regular patching of all desktops and servers · Intrusion Prevention/Detection · Web content filtering at our firewalls · Quarterly vulnerability scans and Annual Penetration Testing
Personal Trading	Leverage MyComplianceOffice Technologies (formerly Schwab Compliance Technologies) to monitor and manage employees' personal trading.
Business Continuity Strategy	<ul style="list-style-type: none"> · Maintain our Business Continuity strategies to accurately reflect and support our environment · Maintain appropriate Business Impact Analysis to assess business needs · Perform regular continuity testing
Vendor Due Diligence	<ul style="list-style-type: none"> · Perform a review over Acadian's key vendors · Perform due diligence over key service providers before we engage
Counterparty Monitoring / Due Diligence	<ul style="list-style-type: none"> · Perform due diligence for new and existing broker relationships · Monitor the creditworthiness of counterparties
External Reviews	<ul style="list-style-type: none"> · SOC1 Report · Annual Internal Audits · Compliance and Regulatory Reviews
Regulatory Monitoring	Monitor and review regulatory announcements and changes to assess impact on our business
Mandate Compliance	Leverage third-party systems to monitor mandate compliance on a daily basis.

CASE STUDY: CLIMATE RISK AS A SYSTEMIC RISK

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.

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 the 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.

INVESTMENT RISK

Each Acadian portfolio is optimized in an effort to ensure that active portfolio risk is controlled to the desired level. The portfolio construction and review process includes a detailed analysis of the sources of portfolio risk, including stock, region, industry, size, and style factors. We also track realized residual risk over rolling periods in an effort to ensure that we are delivering a portfolio that meets the client's risk expectations.

Security Risk

To control specific stock risk, we continually monitor portfolio exposure to Acadian's proprietary risk and return measures across factor groups. We also apply dynamic active stock weight bounds, based upon recent stock volatility, in an effort to limit uncompensated risk from the short-term price movements of individual stocks.

In addition, we control specific stock liquidity risk using a database of daily trading volume of all the covered securities in our universe and monitoring firm-wide holdings of illiquid positions. When we rebalance a portfolio, the estimated liquidity of each security and its expected transaction costs are explicitly considered. During the rebalancing process, we may also include additional stock- and factor-based constraints at the recommendation of the Investment Policy Committee. We find that in addition to controlling security-specific risk, our approach leads to significantly lower market impact when trading, which helps to minimize our trading costs and allows us to quickly adjust positions as new opportunities arise.

Market or Country Risk

To minimize market risk, we apply a number of investability and liquidity quantitative screens to our investment universe. If a market does not meet certain standards in these areas (i.e., certain emerging markets and small-cap securities), it will automatically be excluded from consideration for client portfolios.

Currency Risk

Typically, our hedging is of a conservative, defensive nature rather than an overt move to add value and involves a hedged or partially hedged index as the portfolio benchmark if called for by client mandate. The currency hedges are implemented using forward currency contracts. More generally, however, currency effects are integrated into our overall attractiveness rating for each market and stock in our universe rather than treated as a separate input or overlay. Further, currency risk is addressed in the portfolio construction process along with other risk sources, including market, industry and style exposures.

Compliance Risk

Acadian uses a highly structured and disciplined process in the management of client portfolios, which enables us to offer customized portfolios with tailored risk control, guideline, benchmark, and constraints characteristics. All aspects of the client's mandate are identified at the inception of the account and encoded, where possible, into Acadian's portfolio management and compliance software, ensuring that client objectives will be automatically embodied in the initial portfolio and in all subsequent rebalancings. In addition, portfolios are manually reviewed by the Portfolio Management and Portfolio Construction teams prior to each rebalance, as described below. Finally, automated pre and post-trade compliance checks and daily reviews are performed by members of our Compliance team.

Portfolio Risk Review

The investment management team oversees the risk controls utilized in the investment process. All mandated, firm, and regulatory restrictions applicable to a client's portfolio are coded into our portfolio construction software and applied automatically to the account during each rebalance. The optimized portfolio undergoes a detailed review by members of both the Portfolio Management and Portfolio Construction teams before it is approved for trading. This review focuses explicitly on sources of risk and compliance with stated risk targets. Once approved, the portfolio is traded and then continuously monitored for compliance using a suite of internally developed software tools and an automated third-party pre- and post-trade and daily compliance system offered through Charles River IMS Compliance System.

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

POLICY AND LEGAL RISK

This includes the government mandating of carbon-pricing mechanisms to reduce GHG emissions. One example of the integration of policy risk considerations within our investment process is the implementation of a carbon valuation adjustment to account for the fact that investors may discount company valuations based on high carbon emissions. The idea behind this adjustment is to avoid buying securities that are cheap for a reason. The adjustment is determined regionally to account for differences in regulations. For example, in Europe the EU Emissions Trading System can increase costs for high carbon emitters, while in the US we generally do not yet see widespread regulation increasing costs or investors discounting high carbon emissions. Since our adjustment is market driven, discounts will systematically adjust as markets introduce new regulations or investors begin to penalize outsized carbon emissions more heavily.

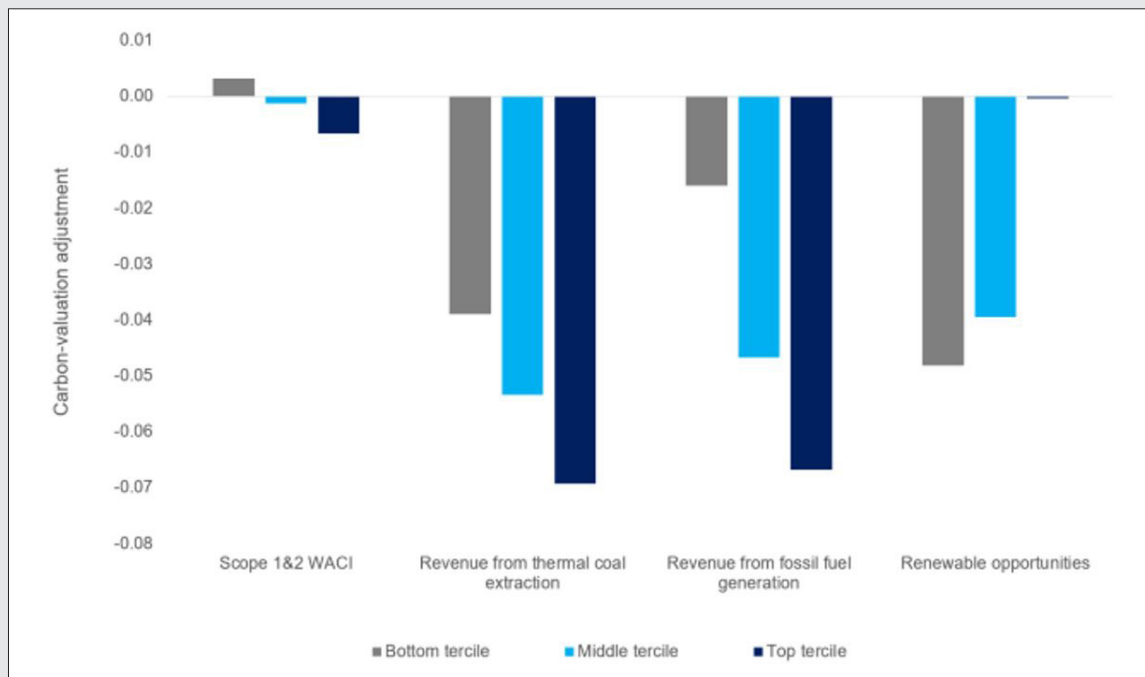
CASE STUDY: CLIMATE CHANGE AS AN INVESTMENT RISK

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).

The figure below 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.

Illustrative example of Acadian's carbon valuation adjustment model



In addition to integrating climate related risks within our core investment process, Acadian has developed a proprietary climate analytics platform that analyzes companies' expected carbon trajectories, their alignment to IPCC socio-economic pathways, together with a sensitivity analysis to the PRI's Inevitable Policy response.

TECHNOLOGY RISK

This includes technological improvements or innovations that support the transition to a lower-carbon economy. Examples include the development and use of emerging technologies such as renewable energy, energy efficiency, and carbon capture and storage.

One way we are able to capture environmental innovation is through the text analysis of companies' disclosures. Acadian's GEO model reads companies' disclosures (including earnings call transcripts, regulatory filings, patents, press releases, and company sustainability reports) to score companies' perceived alignments to the energy transition. The figure below 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.

Illustrative examples of sentences from Acadian's GEO model



Need copy/pastable disclosure here

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.

MARKET AND REPUTATIONAL RISKS

These include changing investor, customer, and societal perceptions associated with a company's transition towards the low carbon economy. One way our investment process captures such risks is through the text analysis of NGO and media news. We do this via network analysis, a technique designed to reveal connections among concepts.

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.

Selected Third Party Initiatives

CLIMATE ACTION

Climate Action 100+	2019	The initiative aligns with our focus on disclosure of material ESG issues such as climate change and carbon emissions, and further support for the TCFD.
Institutional Investors Group on Climate Change (IIGCC)	2022	European body that supports investment community in meeting 2030 net zero-aligned objectives.
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.
Task Force on Climate-related Financial Disclosures (TCFD)	2021	Aims to address the financial impact of climate change by increasing transparency on climate-related risks and promoting better informed financial decision-making.

CORPORATE CULTURE

Investor Alliance for Human Rights	2021	The organization seeks to further the responsibility for businesses to respect human rights using the UN Guiding Principles for Business and Human Rights framework.
Investors Against Slavery & Trafficking	2021	Promotes effective action among investee companies in the APAC region to find, fix and prevent modern slavery, labour exploitation and human trafficking in their value chains.

CORPORATE BEHAVIOUR

ESG Research Australia	2019	Membership through Responsible Investment Association Australasia (RIAA) which aims to increase the quality and quantity of ESG stockbroker research.
ESGaction Council	2018	Promotes best practices and open standards for ESG, sustainable, and impact investing related disclosures, evaluation, research, benchmarking and risk management.
Investment Advisors Association ESG Committee	2021	Collaboration with industry members on sustainability and ESG-related policy, regulatory, and compliance issues primarily in the U.S.
Principles for Responsible Investing (PRI)	2009	Provides guidance on material ESG issues, best practices and opportunities for collaboration. Acadian participates in PRI-led initiatives, including collaborative engagement efforts, and is a member of the PRI Australian Advisory Committee.
Standards Board for Alternative Investments (SBAI)	2020	Brings together managers and investors to develop practical solutions for the implementation of ESG in the context of alternative investments.

REVIEW & ASSURANCE

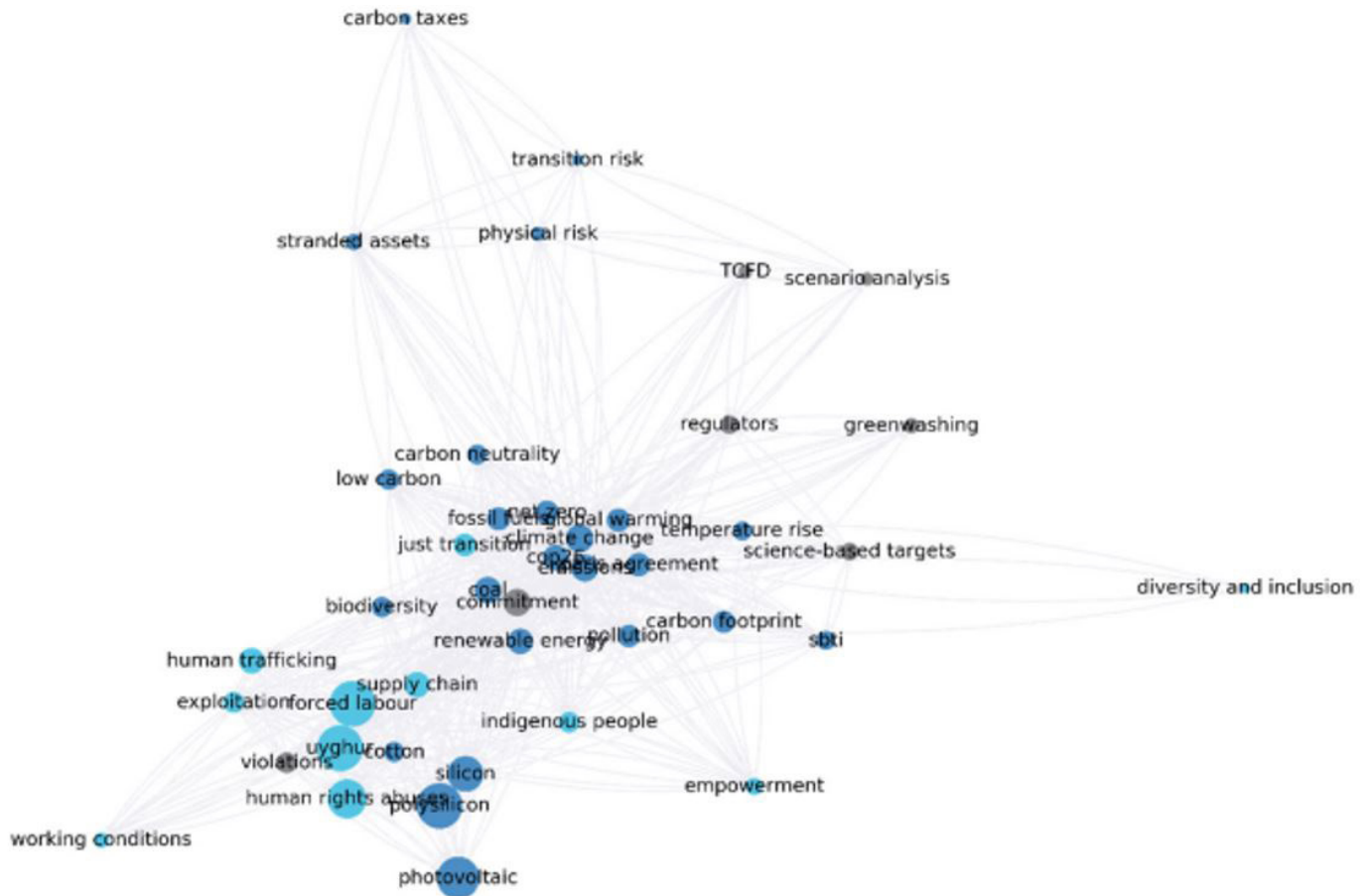
EVOLVING ENGAGEMENT LANDSCAPE

We released our “ESG Engagement: By the Numbers” thematic research paper (available here) in June 2022. It describes the benefits of our systematic approach to corporate engagements and outlines recent advancements in our approach to identifying emerging ESG risks, selecting engagement targets and detecting greenwashing.

Identifying Emerging ESG Risks

In identifying and prioritizing ESG-related issues for engagement, systematic analysis of text and other forms of alternative data with machine learning algorithms offers significant — and perhaps unexpected — benefits. In one element of our AI-based framework, for example, we mine through NGO and media reports for perceptions of violations of the U.N. Global Compact Principles and other ESG concerns and controversies, to discern emerging themes in ESG risk and to assess their importance.

Our approach employs a network analysis, which is a technique designed to reveal connections among concepts. The diagram below depicts its application to climate news. The dots — or “nodes” — in the diagram represent different aspects of ESG concerns that were discussed in climate-related media reports during 2021. We’ve color coded the issues by category: environmental in dark blue, social in light blue, and governance in grey. The links between the nodes map out interdependencies across the topics as inferred from the analysis. The size of each node proxies the media’s perception of the severity of risk associated with that facet of the topic. We apply this “unsupervised” machine learning technique to automatically identify escalating ESG risks within portfolios.



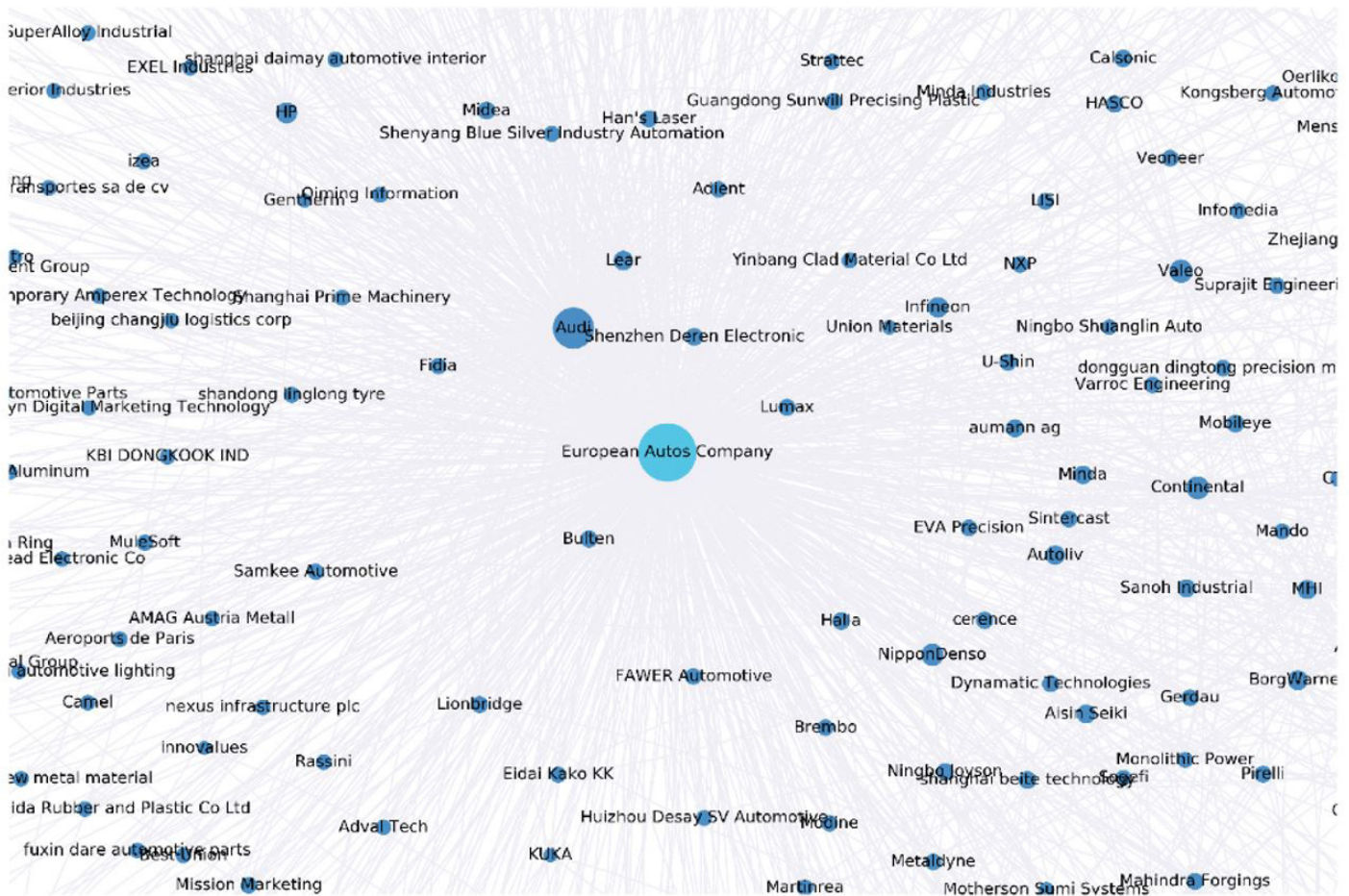
Source: Acadian. For illustrative purposes only.

Selecting Engagement Targets

We also use machine learning algorithms to produce specific, data-driven evidence to support our engagements. For example, based on our identification of emerging ESG risks, we reached out to an automaker and asked whether any of its suppliers raised flags in connection with forced labour concerns. While the firm did respond and acknowledged the broad issue, it claimed that it had not found evidence of forced labor in its supply chain.

Unsatisfied by what seemed a boilerplate response, we conducted our own analysis, applying machine learning to map potentially distant producer-consumer relationships that might have gone overlooked by a more conventional assessment. That network analysis (an illustration of which is shown below) did, indeed, flag a suspect supplier.

As a result, we contacted the automaker again and requested that it: 1) confirm that the suspected violator had been excised from its suppliers, and 2) describe how it monitors for and responds to such concerns. The auto company replied that it would investigate the supplier in question. The automaker's staff also commented that it was impressed by our analysis and asked where they could find the application that we had used to discover it.



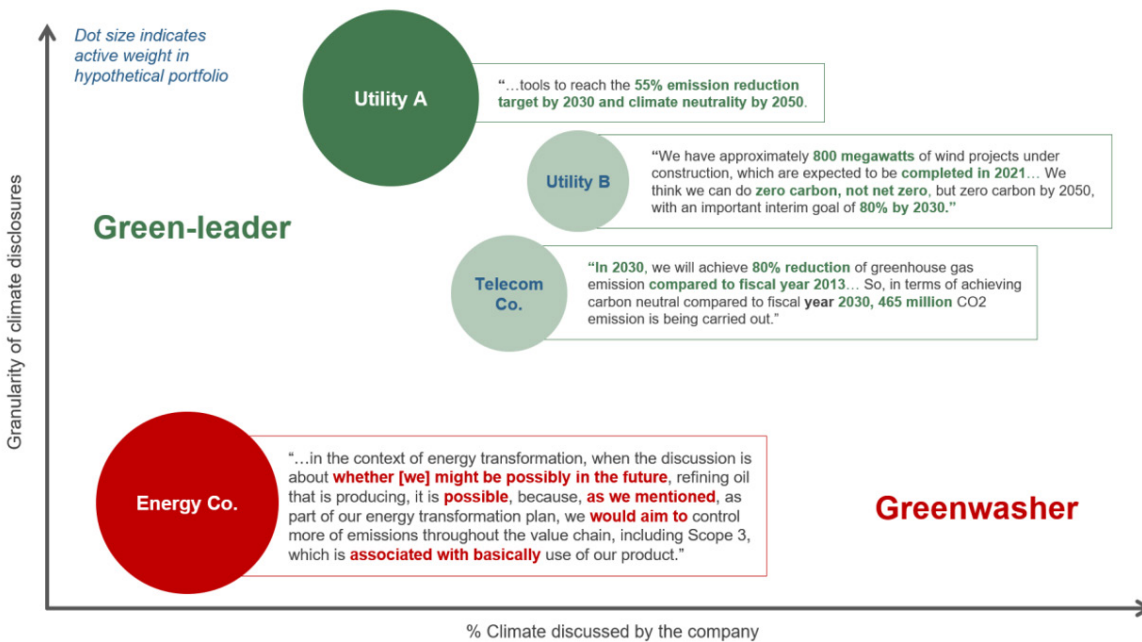
Source: Acadian. For illustrative purposes only. Companies referenced are mentioned for illustrative purposes only and should not be considered as recommendations to buy or sell any specific securities.

Detecting Greenwashing

We have recently developed an AI-based tool named “ENGAGER” (Engaging on Non-Green company Actions Gathered by Evaluating management Rhetoric) to detect greenwashers by evaluating the directness and precision of their communications on relevant ESG topics, and the consistency of their actions and words. To do so, ENGAGER applies advanced NLP and other machine learning techniques to process and analyse companies’ sustainability reports, earnings call transcripts, Annual General Meeting statements, regulatory filings, and web data. We prioritise suspected greenwashers 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 through large numbers of holdings to identify the most appealing targets for engagement with respect to decarbonisation and other ESG themes.

The diagram below illustrates a subset of the information that ENGAGER provides.

Engager: A Stylized illustration



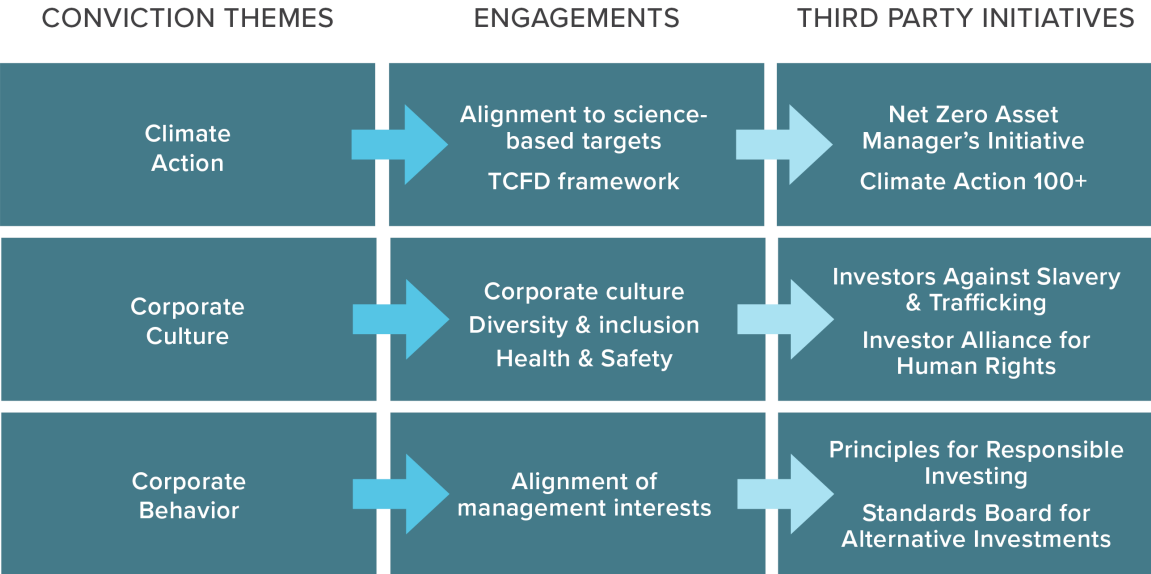
Source: Acadian. For illustrative purposes only. Please see <https://www.acadian-asset.com/investment-insights/esg/esg-engagement-by-the-numbers> for further details.

Stewardship and Engagement Tracking

We have fully integrated stewardship and engagement data into our proprietary investment analytics and management tool. This allows us to monitor and track engagements and voting at a firm, fund and instrument level. We can view engagements by milestone, topic, type and nature, across multiple time horizons. Similarly for proxy voting, at both fund and firm levels, we can see votes by topic, region and country, and a breakdown of votes for and against management and shareholder proposals.

INTEGRATION OF STEWARDSHIP & INVESTMENTS

Our stewardship and engagement activities are aligned to the three ESG themes within Acadian’s investment process.



CLIMATE ACTION

Acadian conducts direct engagements to discuss companies' approaches to transition to a low carbon economy and the robustness of their net-zero strategies. Our key climate engagement objectives are shaped by the Taskforce for Climate-related Financial Disclosures (TCFD) and Science Based Targets initiative (SBTi). Through these engagements we assess:

- Disclosure of climate change risks, with board oversight of climate risk and overall climate strategy
- 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.
- Scenario analysis including where global warming is limited to well below 2°C.

CASE STUDY: ENGAGEMENT ON CLIMATE ACTION

Issue: We engaged with an Australian Material company. The company has a higher carbon intensity relative to its peers and scored poorly according to our carbon valuation model. This model adjusts a company's valuation based upon its level of emissions. We met with Head of Sustainability. Questions asked include progress of previous comments regarding SBTi engagement, challenges associated with its climate targets (noting recent disclosure to not progress with hydrogen related project after a feasibility study), updates to its climate scenario analysis, regulatory changes (e.g. Australia's Safeguard Mechanism), other decarbonisation projects.

Approach: The aim of our engagement is to highlight and communicate perceived gaps in the company's climate strategy, improve disclosure and encourage best practice. Ultimately, if we can assist the company in achieving its climate objectives it will remain investible to climate aware investors and assist in meeting our own climate objectives within our portfolios.

Outcomes and Observations: The company confirmed ongoing dialogue with SBTi regarding the transition for steel makers. The existing framework favors scrap only. The company is assisting with methodology and review of SBTi guidelines. Currently the company's reporting is not aligned and is still challenging, they have not made any commitment to be SBTi approved in the short term. They acknowledged that previous scenario analysis was out of date and would be updated in the next sustainability report. We will continue to monitor the company's progress towards stated targets. Consequently, this engagement is categorized as Strategic Evaluation related and has the status of Milestone 3.

CORPORATE CULTURE

Our discussions with companies focus on three dimensions:

- Labor practices – working conditions related to labor and union rights, working hours, health & safety concerns, monitoring and management of accidents. We examine company compliance with internationally recognized human rights principles including the United Nations Guiding Principles on Business Human Rights (UNGPs), a set of guidelines for countries and companies to prevent, address, and remedy human rights abuses committed in business operations.
- Supply chain considerations – we ask companies for insights into ILO standards in procurement policies, monitoring and engagement of suppliers, and labor rights and health & safety policies of subcontractors. We assess company controls and governance around modern human slavery issues.
- Corporate policies – We examine corporate policies towards employee wellbeing, employee engagement and loyalty, training and developmental opportunities, and advancing gender equality at all levels within a company.

CASE STUDY: ENGAGEMENT ON CORPORATE CULTURE

Issue: The engagement for an Australian Materials company is related to our Corporate Culture theme (Labor Standards). Despite falling in recent months, the security's forecast remains positive and is held across multiple accounts. The security's ESG score is poor driven by its continued weak Labor Standards. The company experienced another fatality, this time at its own operation in one of the sites. We met with the chair to ask questions relating to the continued safety incidents and what the company is doing to improve the situation.

Approach: The company detailed the fatal incident that occurred in one of their sites. The incident occurred at its Aluminum smelter where a cable of an elevated walkway snapped while two employees were carrying out a routine inspection. Both employees fell 12 meters to their death. Unknown to the company at the time, the same incident has occurred with the same equipment at another smelter in Turkey. The company did not have a process in place to protect against such a risk of equipment failure. Since the incident the company has reiterated its commitment to safety and believe a cultural change is required. New processes are now in place and extended training however the main change has been a new program to focus on their people. It remains to be seen how successful this strategy will be. In addition, the board has again penalized the remuneration of management after this incident and increased the focus on safety going forward.

Outcomes and Observations: We continue to see poor Labor Standards for the company which is penalizing the overall forecast. We'll monitor the safety performance of the company going forward.

CORPORATE BEHAVIOUR

We view protecting and enhancing shareholder rights as critical to the long-term success of companies. Our discussions consider:

- Governance structures — the avoidance of poison pill arrangements that limit potential changes of control, the elimination of strategic cross-shareholdings and avoiding multi-class share structures with unequal voting rights.
- Management transparency — companies should be accountable to investors and outline clear plans to address financially material stakeholder concerns (e.g., conducting climate scenario analysis).
- Alignment of interests — board members should typically be independent and executive compensation should be aligned to shareholder's interests.

CASE STUDY: ENGAGEMENT ON CORPORATE BEHAVIOR & CONTROVERSIES

Issue: We engaged with an emerging markets technology company on our corporate behavior theme, specifically over potential UN Global Compact concerns. The company has been involved in a number of recent controversies concerning labor rights and supply chain issues.

Approach: The company is drafting a labor rights protocol which will reference the UNHCR (United Nations Human Rights Commission). They have embedded 12 human rights protections in these protocols and expect to publish these protocols within 2023. They are revising their code of conduct to target a uniform global standard so that employees have access to the same benefits and standards irrespective of their location. The company has publicly acknowledged these intentions via a chairman's letter which they have published on their website.

Outcomes and Observations: The company refutes the labor rights allegation and have introduced new practices such as annual external audits every year and new global codes of conduct to improve the robustness of their labour standards. We will continue to monitor the progress of these new initiatives as they are implemented. Consequently, this engagement is categorized as change and influence and has the status of Milestone 3 based on the fact that the company has developed a credible strategy and has set stretching targets to address the concern.

PRIORITIZATION OF ENGAGEMENTS

The emphasis of our engagements is on quality over quantity. We do not target a set number of engagements. Consequently, the number of engagements can vary considerably by year based upon the issues and themes we identify. That said, due to Acadian's large investment universe, we have developed a systematic screening process to prioritize company engagements based upon the following criteria:



Adequate knowledge – We seek to provide companies with differentiated insights through our understanding of ESG data (both structured data and unstructured data) and draw upon data science techniques to identify areas of concern with corporate practices and behavior.

Likelihood of success – We provide companies with tangible examples of our concerns and outline the steps we expect companies to take to address these concerns. We attach a greater probability of success in Acadian's longer-term holdings and when we can offer companies specific and targeted insights.

Exposure – In order to maximize shareholder influence, we score companies based upon the total exposure across Acadian's funds, the average active weight of the holding across accounts, the number of impacted accounts, and whether the security is also held by Acadian's sustainability funds.

Risk – We evaluate whether there is evidence of a material ESG risk such as escalating concerns towards a violation of the UN Global compact principles, or whether the ESG concern may adversely contribute towards the Principal Adverse impact metrics (Do No Significant Harm).

Themes– Engagements are aligned to the three conviction themes - Climate Action, Corporate Culture, Corporate Behavior. These themes are based upon the financially material ESG metrics within Acadian's investment process.

ENGAGEMENT RATIONALE

Our engagement efforts seek to enhance long-term value creation for our clients. We have designed a STEWARDSHIP framework to classify our engagements:

Strategic Influence

We seek to communicate best practices to firms and improve companies' ESG practices through constructive and informed discussion.

Target Setting

We use Acadian's ENGAGER tool to assess the feasibility of companies' goals.

ESG Thematic Research and Surveys

We have an active ESG research agenda. The starting point of our research, often, is to speak to companies to understand their approaches and the challenges they face.

Working Groups

We participate initiatives and working groups to share knowledge on best practices, gain greater understanding of emerging themes and to compare perspectives with like-minded investors.

Advocacy and Public Policy

We occasionally engage with regulators and industry bodies to participate in consultation requests on ESG best practice and standard setting.

Remediation of ESG Controversies

Discussions relate to perceptions of violations of the UN Global Compact Principles. We assess potential violations and examine remedial actions to prevent reoccurrences.

Data and Information Discovery

Our engagement framework is data driven by identifying deficiencies in corporate reporting and practices of financially material ESG metrics.

MONITORING SERVICE PROVIDERS

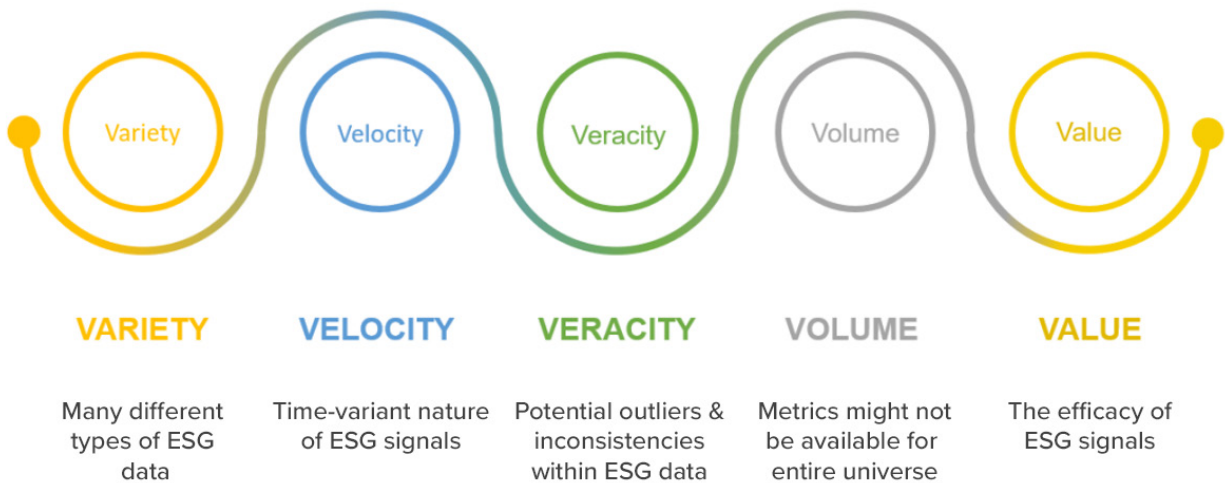
ESG DATA PROVIDERS

ESG analysis can pose significant challenges due to its sprawling scope, lack of consistent definitions, and subjective elements. We believe Acadian’s systematic approach provides breadth, clarity, and objectivity in both extraction of alpha from ESG concepts, and the alignment of investments with the clients’ values and goals.

The starting point for all analysis is data. ESG-related data serves as one input to the construction of Acadian’s forecasting models, which incorporate a wide array of information to create predictive signals. The models are used to forecast returns for a global investment universe of more than 40,000 securities. In addition to integrating company fundamental data, we make use of a broad range of alternative data, which we find highly relevant in an ESG context. Examples include company documents, news, and social media, and other unstructured sources that can offer insight into companies’ ESG characteristics.

Our analysis of ESG data is characterized by the 5 ‘Vs’, namely Variety, Velocity, Veracity, Volume, and Value. An illustration of this, in the context of ESG data, can be seen below:

ESG Data



In our ESG processes we use both internal proprietary data and externally sourced vendor data. We provide feedback to ESG data vendors on topics such as methodologies, coverage and accuracy. An example of this feedback is illustrated in the case study below:

PROCUREMENT PROCESS

Prior to establishing a contractual relationship with a new vendor, Acadian performs a due diligence assessment. We leverage a formal RFP process, facilitated by Acadian’s Procurement Team and outside firms that specialize in the RFP process as well as the subject matter of the system. The RFP process contains clearly identified and documented steps covering: market analysis, focused research, product feature and vendor comparison, and pricing evaluations.

On an ongoing basis thereafter, we conduct recurring reviews of key vendors/outsourcing partners as part of our vendor management framework. Acadian is committed to operating our global business lawfully, only working with vendors and suppliers and investing in companies that are aligned to our values. We expect our suppliers and investee companies to operate in accordance with all applicable laws including those prohibiting human slavery and slavery-like practices, human trafficking, and child labour. The frequency of subsequent reviews is based on risk. These recurring assessments include a review of key controls, policies, data privacy practices (where relevant), and IT infrastructure to assess whether the vendor is meeting expected standards. The assessment examines each vendor’s operating environment specific to contracted services and the relative effectiveness of specific controls to deliver those contracted services and may include on-site visits to the vendor. Groups participating in this review include the business unit contracting with the new vendor, our Enterprise Risk Officer (“ERO”), and members of our Information Security and Procurement teams.

CASE STUDY: ENGAGEMENT LEADING TO VENDOR FEEDBACK

Across 2022 and 2023 we engaged with a global materials company regarding their current exposure to, and future strategy for, thermal coal. Our focus was on the company's coal assets and strategy associated with its climate action plan; the current and expected future revenues derived from thermal coal, and progress on the subsequent discussions we had directly with the company and with an ESG data provider.

The company stated that it intends to exit the thermal coal business by 2030. Recent thermal coal (and other fossil fuel related) asset divestments are consistent with this commitment. However, given the strength of thermal coals prices through 2022 and into 2023, the representation of thermal coal as a portion of the company's revenue increased. Due to changes in its asset mix and reporting standards, we believe the disclosure of this revenue has been unclear. This has made the assessment of contribution of thermal coal to total revenue challenging for data providers and investors alike.

Through our engagement, we estimate that for FY22, the percentage of thermal coal derived revenue was above 5%. While the revenue derived from its single dedicated thermal coal mine was below 5%, energy coal byproduct from its metallurgical coal mines resulted in total thermal coal revenue that exceeded 5% of all company revenue. Our engagement emphasized the need for more clarity on this number going forward, given its importance in the management of climate aware investment strategies. The company has subsequently clearly reported total thermal coal revenue in its 1H23 results (released in February) revealing 8.3% of total revenue for the period.

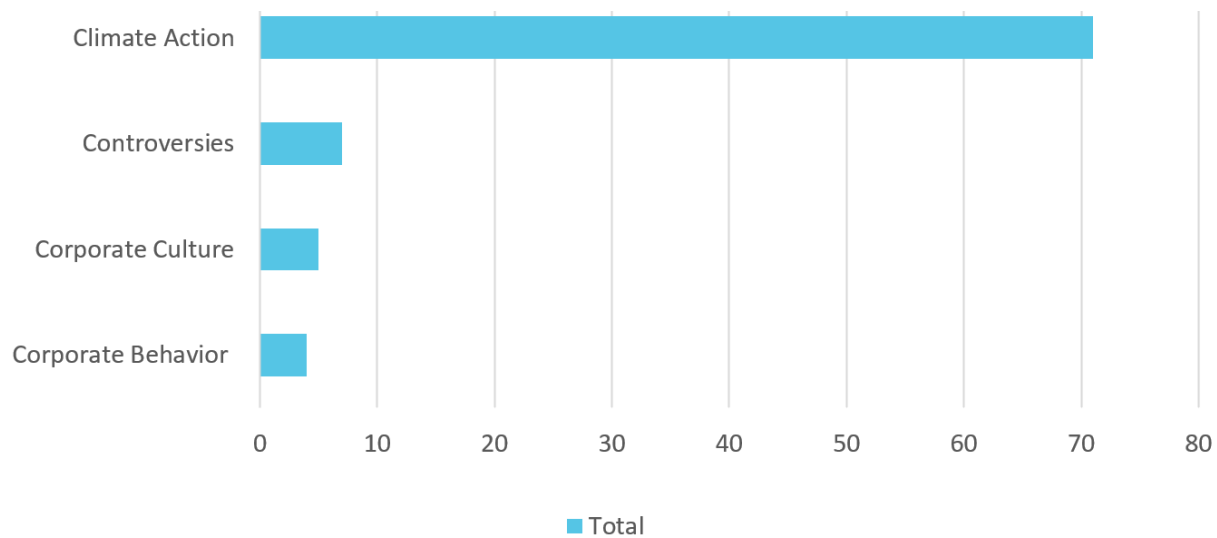
We also engaged with an ESG data provider regarding their own thermal coal revenue estimates. As a result of our engagement with the data provider, they revised their values of thermal coal revenue twice. Now that there is clarity on thermal coal revenues, our future engagement can focus on the progress that the company is making towards its climate strategy, in particular the closure of its thermal coal mine.

ENGAGEMENT STATISTICS

NUMBER OF ENGAGEMENTS BY THEME

- Acadian conducted a total of 87 engagements.
- 82% of those were associated with Climate Action (71 engagements) and 10% were associated with corporate culture and corporate behavior, 8% were associated with controversies (7 engagements)
- Please note that multiple discussions for a given company and given ESG concern are counted as one engagement.
- Most climate action theme were closely associated with the sub theme of disclosure of carbon emissions. Other engagements within this theme focused on physical climate risk and just transition. The majority of corporate culture engagements were focused on the sub theme of Labor Standards and Modern Slavery while other engagements focusing on Diversity.

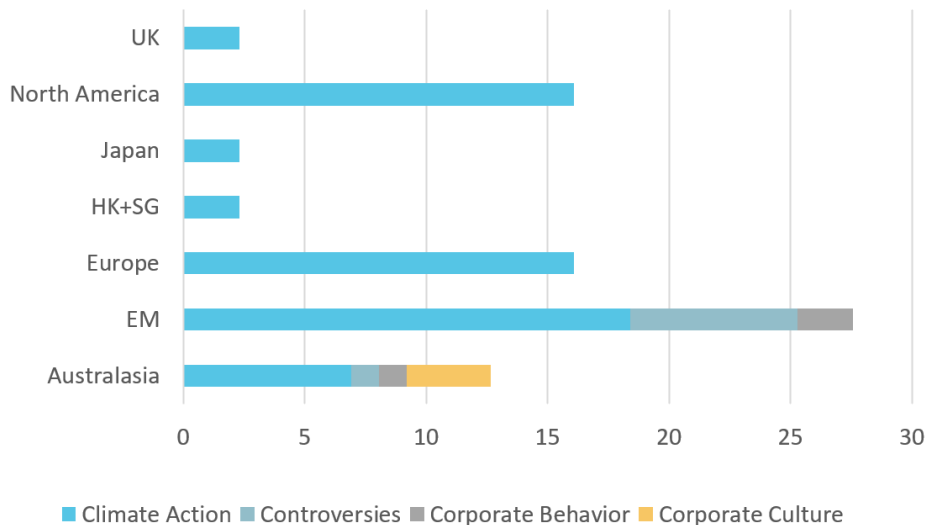
2023 Engagements by Theme



PERCENTAGE OF ENGAGEMENTS BY REGION

- Emerging markets saw the most engagements- 28% of the total. The majority of these were on climate action theme.
- Europe, North America, and Australasia saw 16%, 16% and 13% of engagements respectively.
- Engagements in Europe and North America covered Climate Action
- Engagements in Australasia covered Climate Action, Corporate Culture, Corporate Behavior and Controversies.

2023 Percent Engagements by Region



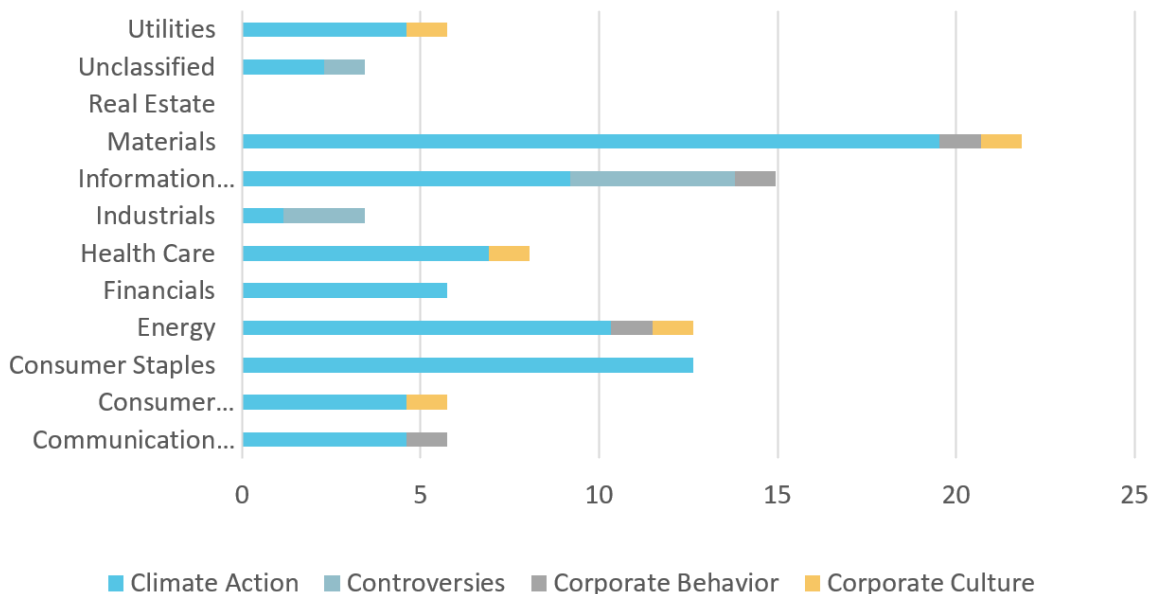
PERCENTAGE OF ENGAGEMENTS BY SECTOR

- Materials was the sector with the highest number of engagements- 22%.
- Information Technology saw 15% of engagements while Consumer Staples and Energy 13% each.
- Within these sectors, the majority of engagements covered the Climate Action theme.

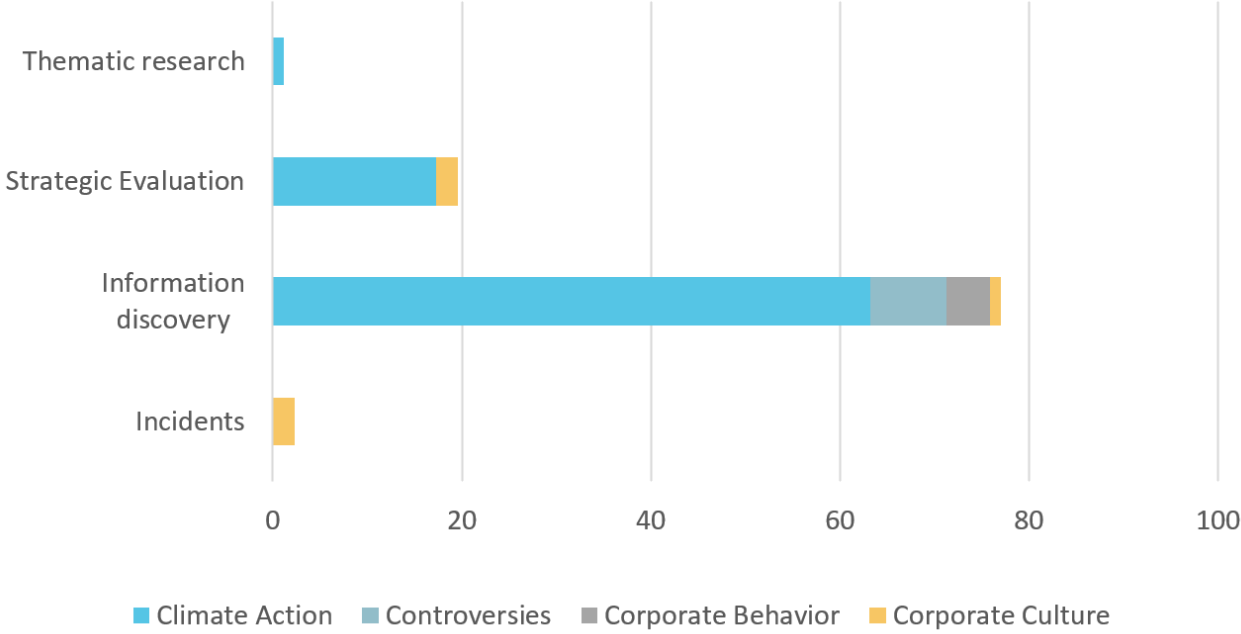
2023 Percent Engagements by Sector

PERCENTAGE OF ENGAGEMENTS BY SECTOR

- Information Discovery accounted for 77% of all engagements.
- The majority of these information discovery engagements were focused on the Climate Action theme.

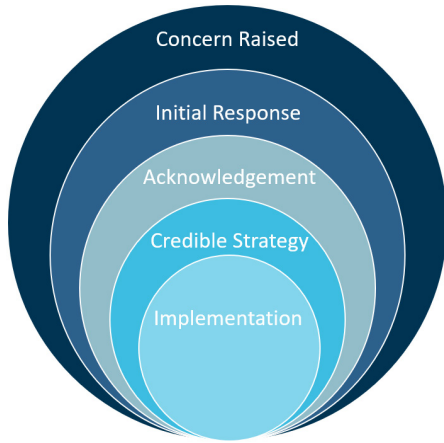


2023 Percent Engagements by Type



PERCENTAGE OF ENGAGEMENTS BY MILESTONE

We measure the progress of company engagement via a multi-step framework using the milestone approach shown below. Please note that milestones may vary depending on each concern and its related objective.



Milestone 0:

Concern raised with company at the appropriate level.

Milestone 1:

Initial response from the target company.

Milestone 2:

Acknowledgement of the issue / discussion.

Milestone 3:

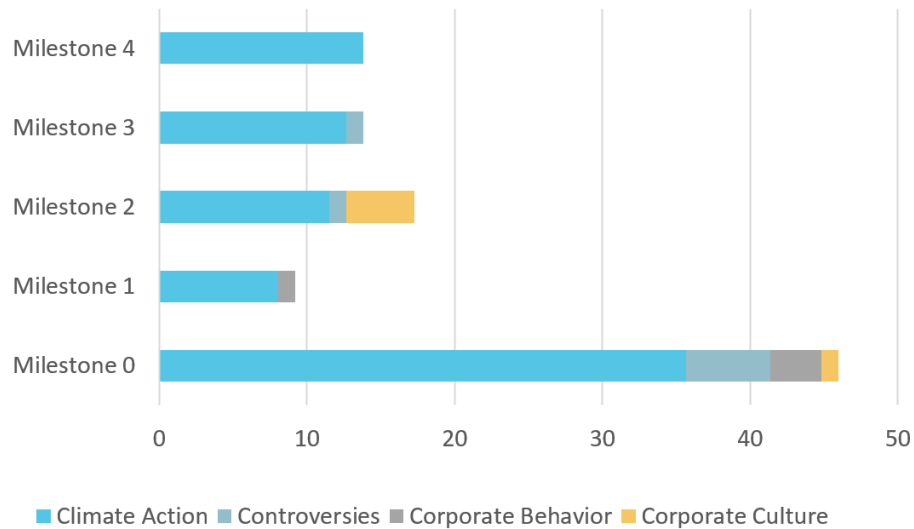
Development of a credible strategy / stretching targets to address the concern.

Milestone 4:

Implementation of a strategy or measures to address the concern.

- 9% of the engagements (by number) are at milestone 1.
- 17% of engagements are at milestone 2.
- A further 28% are at milestone 3 or 4.

2023 Engagements by Milestone



PROXY VOTING

PROXY VOTING OVERVIEW

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 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 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.

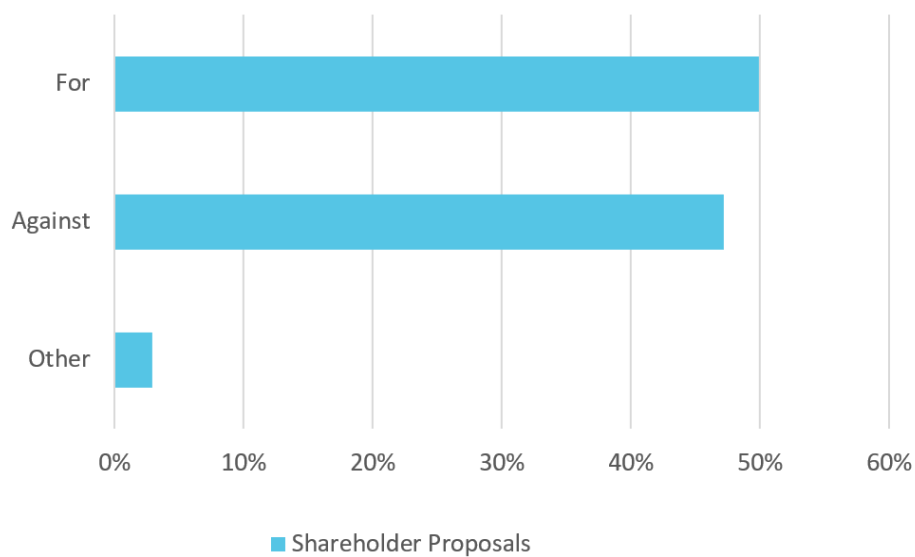
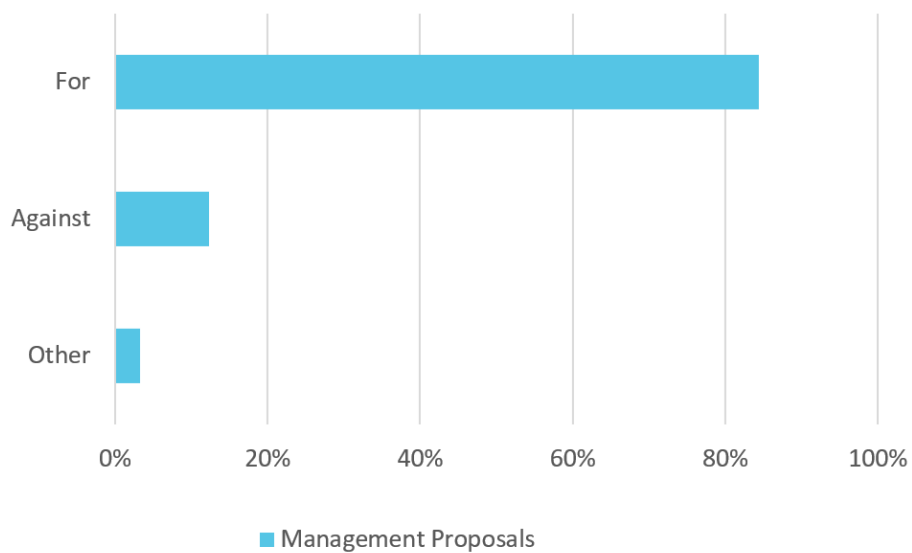
We follow client instructions when voting on significant greenhouse gas emitters. Clients can instruct us to vote for or against management in these scenarios. If a client has delegated voting to us and not stated a preference the ISS benchmark voting policy will be used. This policy has the potential 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, 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.

MANAGEMENT PROPOSALS: VOTING OVERVIEW

- Across 2023, Acadian voted on over 90,000 proposals, of which over 90% were management proposals.
- These took place across more than 9,000 meetings in over 8,000 unique companies.

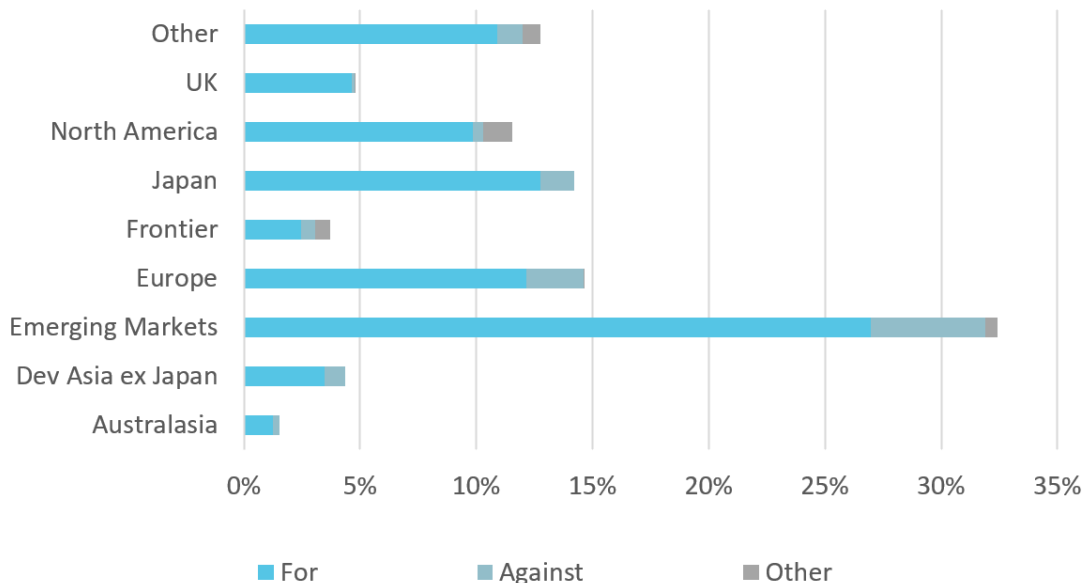
Voting 2023: Number of Proposals



MANAGEMENT PROPOSALS: VOTING BY REGION

- Emerging Markets accounted for a third of the management proposals voted on, Europe was the second largest region in terms of management proposals.
- Votes in favor of management were highest in the UK (over 90%) and lowest in Frontier Markets (under 70%)

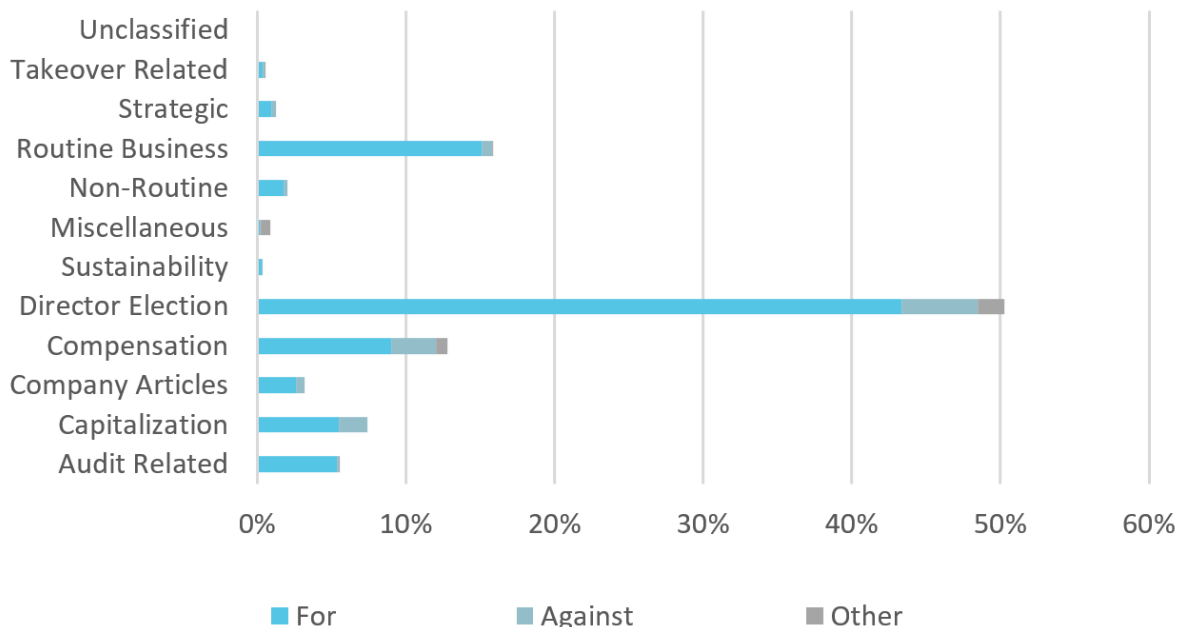
Voting 2023: Management Proposals by Region



MANAGEMENT PROPOSALS: VOTING BY CATEGORY

- Director Election accounted for the largest number of proposals voted on, followed by Routine Business.
- In both cases, the majority of votes were for the proposals.

Voting 2023: Management Proposals by Category

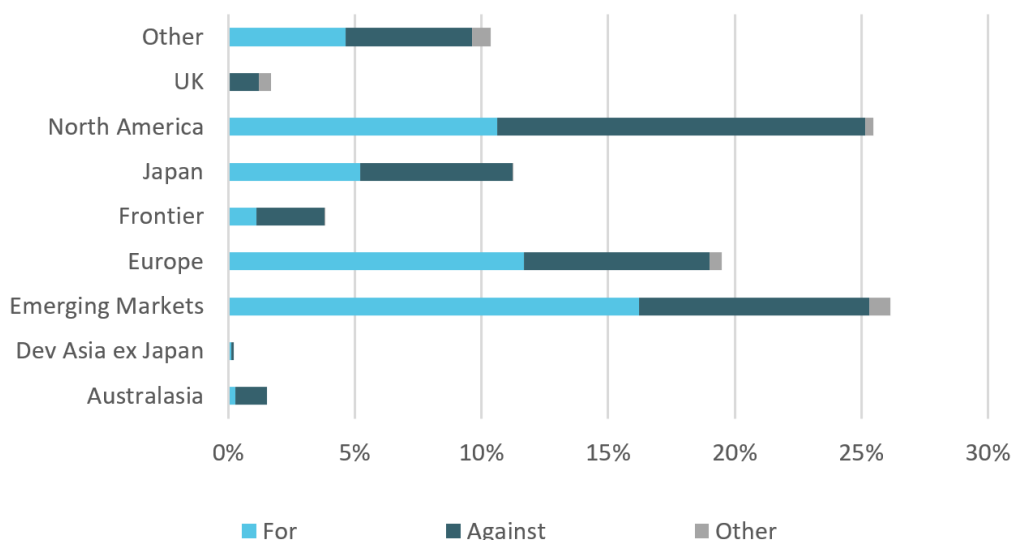


SHAREHOLDER PROPOSALS:

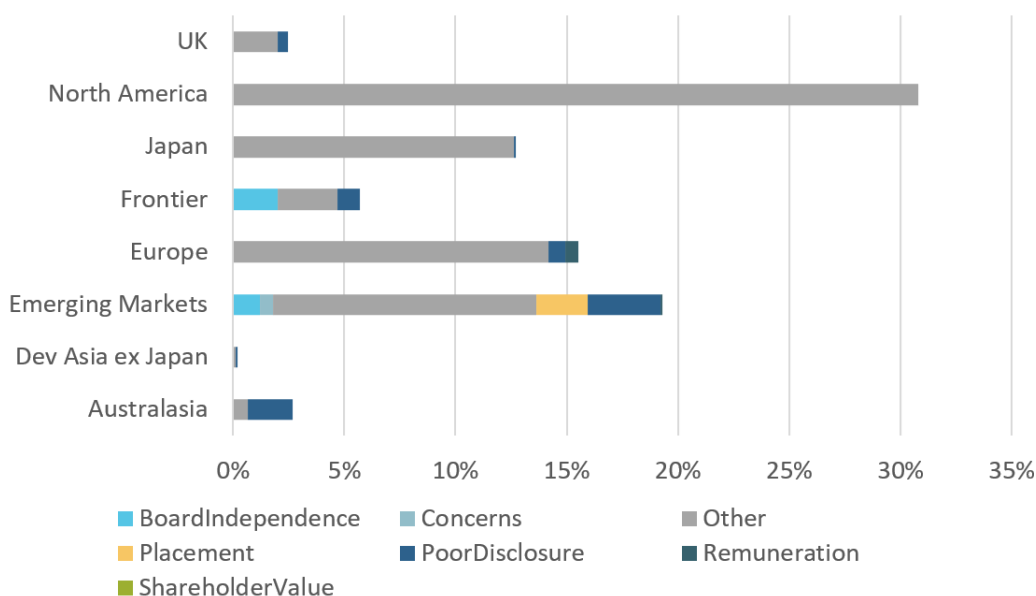
We generally support shareholder proposals that call on companies to disclose enhanced reporting around environmental and social risks, if the proposals are not deemed to be overly burdensome, costly, or restrictive on the company. We seek to understand both a proposal's rationale and its long-term impact in terms of the actions the shareholder proponents hope to see the company take and the outcomes they hope to achieve.

- Acadian voted in favor of around 50% of shareholder proposals.
- The topic of 'Director Related' accounted for the largest number of shareholder proposals voted on with the majority of those proposals being voted in favor.
- The regions with the largest number of shareholder proposals were Emerging Markets and North America.
- There were a comparatively low number of proposals focusing on E and S issues, with majority focusing on G.
- As per the charts below, we tended to support E and S proposals.

Voting 2023: Shareholder Proposals by Region



Voting 2023: Shareholder Proposals Voted Against by Region



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