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# Marshall Wace Engagement Policy

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## Introduction

Marshall Wace (“MW”) is supportive of shareholder engagement within the context of its business model and the strategies that it manages and believes that the firm has the influence to be a mechanism through which meaningful changes, to the long-term benefit of investors in the funds it manages, may be achieved.

To serve the best interests of its funds, MW is committed to company engagement and customised voting policies.

The firm is committed to engaging on a range of topics with companies in which the funds that it manages have, or prospectively may have, positions.

## Firmwide Approach

MW believes in a firmwide approach to stewardship and carries out engagement on behalf of the funds in its management.

Paul Marshall, MW’s Chief Investment Officer oversees Sustainable Investing and Stewardship activities, policies, and processes. He has appointed the Head of Sustainable Investing & Stewardship (SI&S), who reports directly to him. The role of the Head of SI&S is to design MW’s engagement strategy and the application of a customised Voting policy. This role centralises stewardship efforts and interactions with investee companies at a firm level.

All engagement activities will be carried out by the Head of Sustainable Investing and Stewardship, and/or the relevant members of the investment team.

## Investment Approaches

MW offers a broad range of absolute return, long-only, long-extension and bespoke investment strategies. The majority of the assets that it manages are invested in equity long/short strategies which are characterised by two distinct approaches.

First, MW offers traditional investing grounded in fundamental stock research. MW has assembled experienced portfolio management teams comprising portfolio managers supported by teams of analysts who develop a deep understanding of the businesses of companies and the drivers of stock valuation.

The investment process for each of these strategies is driven by thorough fundamental analysis that aims to identify companies that appear mispriced on an absolute or relative basis and attempt to exploit inefficiencies in global equity markets. This research effort is supported by disciplined screening processes that highlight and quantify valuation anomalies in portfolio manager-targeted securities.

Secondly, MW offers systematic strategies. These originated from the belief that there is alpha residing in the expertise, information, and analytical edge of the sell-side community. Our principal systematic strategy is designed to measure, extract, and monetise this alpha from a network of individuals worldwide in real time.

These selected individuals – comprising primarily salespeople, specialists, and strategists – are asked to submit their highest-conviction investment ideas through a proprietary web interface in the form of virtual portfolios. This approach enables us to analyse the performance of these ideas so that we can focus our attention and capital on the most promising investment opportunities, while providing such individuals with a transparent and clear performance-based assessment.

This investment process optimises the raw input of fundamentally-based ideas using quantitative analysis, which then drives portfolio construction, risk management, and execution.

Certain of MW's systematic strategies incorporate a variety of signals related to environmental, social and governance ('ESG') criteria, with such models ultimately considering ESG signals among a large variety of others in making investment decisions.

### Trading Considerations

The efficiency of our trading activities is of great importance both to us and to the investors in the funds that we manage. We undertake extensive analysis of all costs, both explicit and implicit, in our trading activities in order to deliver the optimal result for our clients. Particularly taking into account the relatively high turnover of securities in certain of the strategies that we manage, we have determined that the best interests of our clients are served by holding positions in shares of companies traded in certain jurisdictions through swaps as this significantly reduces certain of the frictional costs that arise when trading in such shares.

While swaps provide many of the benefits of holding shares, including the economic exposure to movements in share prices, they do not provide the holder with access to the voting rights associated with those shares.

### The Role of Shareholder Engagement at Marshall Wace

Marshall Wace ("MW") endeavours to integrate Sustainable Investing ("SI") and Stewardship principles in its investment process and risk reporting framework, spanning both MW's fundamental and systematic strategies. MW may consider a variety of ESG factors and data for idea generation and the identification of thematic opportunities, in addition to its proxy voting and engagement initiatives. MW applies investment restrictions and firm-wide exclusions.

MW's draws on its knowledge across systematic and fundamental strategies, and sustainable investing to establish constructive engagement and a long-term dialogue with companies.

The research and analysis undertaken by our fundamental investment teams includes an evaluation of the performance of companies on such matters as strategy; financial performance and strength; risk factors; and related areas.

Engagement with company management, boards of directors, industry experts as well as, where deemed appropriate, other shareholders and stakeholders are key inputs into these investment processes.

Furthermore, while it may be our general practice to hold positions in the shares of companies for the funds we manage in certain jurisdictions synthetically through swaps, we may, where we feel it is in the best interest of our clients, instead on occasion take holdings in the physical shares of those companies in those jurisdictions. This may well be in the context of matters on which our investment teams feel it is important to be able to exercise further influence in order to deliver the best result for investors in the funds we manage.

While typically the opportunity for long term constructive engagement is limited for systematic strategies, these strategies still play a part of the firm-level stewardship strategy. Nonetheless, all strategies remain able to trade in the shares of any such issuer independently of any of these discussions that may be taking place.

### Monitoring

MW views engagement as a long-term and multistage process. We aim to regularly monitor and evaluate companies' progress and actions taken.

MW has set up a system to monitor engagement interactions, voting activity and ESG questions asked during company meetings. This was designed to keep track of interactions, enhance the research process and monitor stewardship progress.

Our fundamental investment teams routinely monitor the activities of the companies in which the funds they manage have, or may have, positions. A variety of tools and resources are available to these teams such as company financial reports, regulatory filings, press releases, presentations and other materials, and third party research including data from ESG research providers and information platforms (such as Bloomberg).

Third party research can be a helpful source of information and analysis. However, we view carrying out our own research on such companies as being of significantly greater value. Our teams also enjoy regular engagement with the executive, and on occasion non-executive, directors of these companies along with other members of their management teams whether at meetings at which other shareholders are present or on a bilateral basis. During these meetings, our teams extend their knowledge and understanding of the overall strategy that these companies are executing and assess their potential to deliver the optimal value for shareholders.

Through this process of familiarisation, the teams are better able to monitor the performance of these companies. The assessment that they undertake is balanced and is comprised not solely of analysis of these companies' financial statements (and related items including its capital structure) but also extends to non-financial measures. The latter vary according to the nature of the activities of each company and the industry in which it operates.

Whilst acknowledging that companies have a variety of opportunities that they may wish to pursue, the investment teams are keenly aware that all companies face internal and external factors and influences that make it uncertain

whether, when and the extent to which they will achieve or exceed their objectives. They assess each company's approach to the management of the various risk factors to which it is exposed and its oversight within the company (which may or may not take place through an explicit risk management framework) and the effectiveness of that management.

## Engagement

MW looks to use engagement to seek to influence positive environmental, social and governance related outcomes and benefit shareholder value. It is our intention to foster a constructive and collaborative relationship with certain companies in which the funds we manage have positions with a view towards educating companies on sustainability as a means to drive shareholder value.

Engagement (which may take the form of a meeting in person, by video conference, by telephone or in writing) similarly takes place over the long-term and it is generally only through a series of such meetings (in conjunction with our investment teams' own research) that we make an assessment upon which we are prepared to rely on a company's approach to relevant matters.

MW's Head of Sustainable Investing and Stewardship will coordinate and initiate engagement activities at the firm level including the design of MW's long-term engagement strategy and the application of a customised voting policy.

All engagement activities will be carried out by the Head of Sustainable Investing and Stewardship, and/or the relevant members of the investment team.

MW undertakes training for those members of its investment and non-investment teams covering Sustainable Investing (SI) principles, stewardship practices, ESG data and scoring.

We fully recognise that a management team is appointed by a company's shareholders to manage that company's business. MW sees engagement as a two-way dialogue. While we seek to initiate interactions, we also welcome opening discussions with companies that proactively try to engage with us.

Engagement with companies is on-going. It focuses on implementing company-specific objectives, which may include governance, compensation structures, board composition, independence of board chair, supply chain management, and environmental issues. Our thematic engagement may be focused on specific environmental priorities such as biodiversity, nature and water related risk mitigation strategies, as well as improvements in environmental reporting.

Where such concerns or opportunities are identified we will inform representatives of the company's management. This will be on a private basis and will be with those representatives of the company (including its non-executive directors) who we believe are best placed to address these perceived concerns. Only when these discussions have been unsuccessful will we consider alternative courses of action, which include the disposal of the funds' positions in that company where our teams' views are so markedly at variance from the stance of the relevant company's management

(and, potentially, other shareholders) that we conclude that to be the course of action that is in the best interests of our clients.

We are committed to engaging with companies in which our clients' assets are invested without seeking to dictate the company's core business decisions or publicly advocate for a particular change catalyst (such as a particular board member, a corporate or operational restructure or similar).

## Voting

Marshall Wace LLP has developed a firmwide Stewardship and Governance voting policy (the "Policy"). MW supports good governance with an emphasis on sustainable corporate practices.

The Policy applies an extra focus on a select group of companies including largest holdings, firms in particular sectors, businesses MW has engaged with, and corporations targeted by specific shareholder proposals. The Policy will apply a higher level of scrutiny on these companies, and voting will depend on a series of factors and considerations.

MW votes on the funds' positions including those held in systematic strategies.<sup>1</sup>

Pursuant to the terms of the investment management and investment advisory agreements entered into with each of the funds and accounts that we manage or advise, we are authorised, in our absolute discretion, to exercise or refrain from exercising any voting or other rights attaching to the investments comprised in the relevant fund's portfolio.

The primary objective of our shareholder engagement activities is the protection and enhancement of the value of the funds' investments in public companies. Thus, we focus on practices and structures that we consider to be supportive of such long-term value creation and preservation.

As previously stated, it is our normal practice to hold positions in companies in certain jurisdictions through swaps, in which case the funds that we manage do not own shares, and consequently do not have voting rights, in relation to those companies. Notwithstanding these arrangements, we may, where we believe it to be overall in the best interest of our clients, arrange for the funds we manage to hold those shares physically in order to be able to exercise those voting rights. This is most likely to occur where the result of a vote is likely to have a particularly significant impact on the valuation of that company's shares. It is likely that on such occasions we would inform the company of our intentions where we propose not to support a board recommendation.

We aim, where applicable, to exercise the proxy voting rights of the funds we manage except in certain circumstances including when voting may block shares from trading, when a power of attorney or beneficial owner form may be required. In doing so we consider the range of factors which would affect the value of those investments and will act solely in the interest of, and for the exclusive purpose of providing benefits to, our funds. In doing so, we will have regard to the individual facts and circumstances of each case and will act in accordance with our Conflicts of Interest Policy.

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<sup>1</sup> Note: Marshall Wace votes via a third-party proxy voting provider. In certain circumstances, Marshall Wace will decline to vote including when voting may block shares from trading in certain markets or apply discretion to override the Policy's recommendation.

Our policy is not to borrow securities solely in order to acquire the voting rights of those securities. MW may undertake securities lending, but this does not impact our approach to engagement.

MW has appointed Glass, Lewis & Co. LLS ("GL") as its proxy advisor. GL manages the operational lifecycle of the vote. MW uses GL's advisory service to make the initial voting recommendation in line with the Policy. Prior to issuing voting instructions, GL provides MW with reporting on upcoming voting as well as access to its underlying research.

MW will override the initial policy when the firm's fundamental analysis suggests that the policy's recommendation ignores relevant factors and circumstances. The rationale for any exceptions to the policy is recorded for internal review.

Our voting Policy will evolve over time to ensure we act in the best interests of our clients and our commitment to broader stakeholders.

### **Collaborative Engagement**

In addition to engaging directly with companies, Marshall Wace also fosters collaborative engagement via industry networks including UNPRI, Climate Action 100+, TNFD, and AIMA's RI Committee.

We will consider engaging with other investors (including overseas investors), where this does not present competition or collusion concerns, particularly on those occasions where we feel that bilateral discussions with a company are not achieving adequate progress or a collective approach seems the best means to focus the attention of a company's directors on those concerns.

As a result of such engagement in collective action MW could come into possession of inside information in relation to a company and consequently be restricted in trading in that company's shares - in these circumstances the investment management teams, along with senior management, and the firm's Conflicts of Interest Committee, will assess, subject to applicable securities laws, prior to such engagement whether they believe the overall benefit to our clients outweighs any adverse consequences arising from such involvement.

Unless otherwise disclosed in accordance with regulation, MW does not seek to act in concert with other shareholders or work with other shareholders to dictate the company's decisions or publicly advocate for change.

We have published an e-mail address at which we may be contacted to discuss our interest in such potential engagement on our website.

### **Conflicts of Interest**

We conduct our business according to the principle that we must manage conflicts of interest fairly, both between ourselves and our clients and between one client and another.



As a provider of financial services, we frequently face actual, potential and perceived conflicts of interest. Our policy is to take all reasonable steps to maintain and operate procedures to identify and manage conflicts, including those relevant to shareholder engagement.

Our senior management is responsible for ensuring our systems, controls and procedures are adequate to identify and manage conflicts of interest. As such, a Conflicts of Interest Committee oversees this responsibility. MW's Compliance function assists in the identification and monitoring of conflicts of interest.

MW is an independent investment manager and no external party influences the investment and stewardship decisions we make. KKR & Co LP is a minority owner of MW, and there are formal and documented information barriers in place between the two organisations.

We have implemented specific procedures addressing the identification and management of actual and potential conflicts of interest that may arise in the course of our business.

The Conflicts of Interest Policy ensures there is adequate management of conflicts that may arise when the interests of MW and/or its employees and its clients differ or the interests of particular clients differ.

MW maintains and regularly updates a record services where conflicts of interest entail a material risk of damage to the interests of one or more clients. The register also records details on how the conflict of interest was managed (including through disclosure, prohibition or additional controls as appropriate).

## CONTACT DETAILS

### Marshall Wace LLP

George House  
131 Sloane Street  
London  
SW1X 9AT

For non-US enquiries please contact:

Telephone: +44 (0)20 7316 2280  
Facsimile: +44 (0)20 7316 2281  
Email: [ir@mwam.com](mailto:ir@mwam.com)

For US enquiries please contact:

Telephone: +1 212 235 2800  
Facsimile: +1 212 235 2899  
Email: [ir@mwam.com](mailto:ir@mwam.com)



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The value of all investments and the income derived therefrom can decrease as well as increase. This may be due, in part, to exchange rate fluctuations in investments that have an exposure to currencies other than the base currency of the Funds. Past performance is no guide to or guarantee of future performance.

The value of commodity and derivative investments such as options and futures can be extremely volatile. The Funds may invest in securities of distressed companies, illiquid securities and non-publicly traded securities.

Persons considering investing in the Funds should read the risk disclosure in the Prospectus.

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