

# Marshall Wace – Stewardship



## Marshall Wace’s Stewardship Approach

Sustainable Investing (SI) and stewardship are integral to our organisation and part of how we fulfil our duty to act in our clients’ best interests whilst caring for our employees and communities.

Marshall Wace (“MW”) supports stewardship to achieve meaningful change and sustainable impact.

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

MW’s stewardship priorities are driven by its commitment to SI and focused on what it considers material ESG issues.

### A Firmwide Approach to Stewardship

MW endeavours to integrate SI and stewardship principles into various investment strategies spanning both MW’s Fundamental and Systematic strategies through the consideration of ESG factors and data for idea generation, the identification of thematic opportunities, portfolio reviews, proxy voting and engagement initiatives.

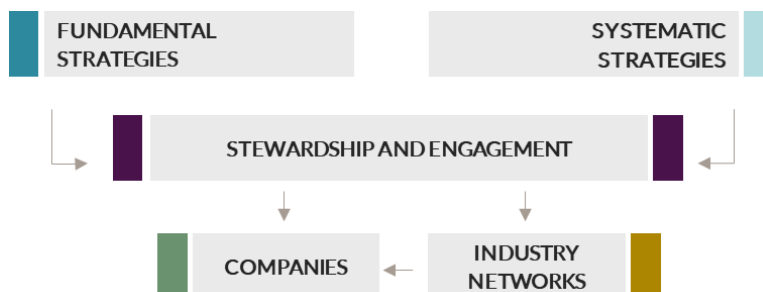
MW believes in a firmwide approach to stewardship and carries out engagement on behalf of both Systematic and Fundamental strategies.

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.

While typically the opportunity for long term constructive engagement is limited for systematic strategies, these strategies can 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.

MW has centralised stewardship efforts and interactions with companies at a firm level via the Head of Sustainable Investing & Stewardship.

### A Firmwide Approach



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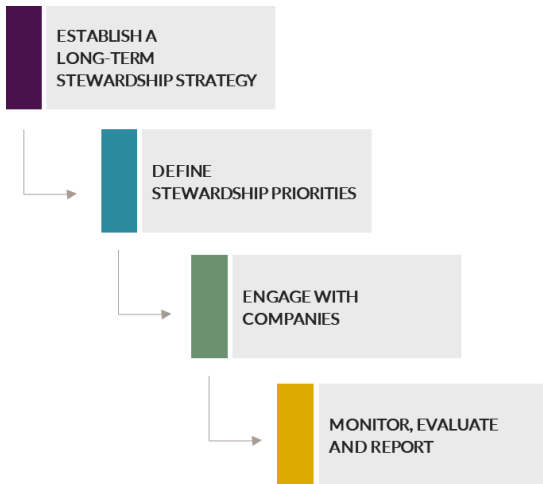


## Engagement: Driving long term value and sustainable impact

Marshall Wace supports engagement to drive meaningful change and long-term value.

Marshall Wace is committed to achieving positive social and environmental impact.

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### Engagement strategy

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 ESG and Climate Voting policy.

All engagement activities will be carried out by the Head of Sustainable Investing and Stewardship, members of the Stewardship Group and/or the relevant research analyst or portfolio manager.

The Stewardship Group is comprised of the Head of Sustainable Investing and Stewardship, the ESG Analysts on the fundamental teams, and the ESG TOPS team.

The Stewardship Group will support the Head of Sustainable Investing and Stewardship in coordinating engagement activities and voting processes across the firm.

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

### Stewardship priorities

It is our intention to foster a constructive and collaborative relationship with the 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.

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Engagement with companies is meant to educate the companies on broad themes that can inform the company as it considers its company-specific objectives:

- **Themes** include ESG disclosures, compensations structures, directors' tenure and diversity, independence of board chair, supply chain management, and environmental issues. Our thematic engagement has a strong focus on environmental priorities including climate change, nature-related impacts, biodiversity, water stress, decarbonisation plans and environmental reporting.
- **Company-specific objectives:**
  - Companies with strong ESG profiles: engage on continuing to improve their ESG profile, leveraging ESG-related opportunities, and setting clear ESG targets.
  - Companies with business models supporting the energy transition and/or climate transition plans: support companies to set and advance their decarbonisation plans.
  - Companies with low ESG profiles: engage with companies on how they are managing their exposure to and management of ESG risks as well as improving their ESG scores and reporting.

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).

## Direct engagement with companies

Engagement will be carried out via direct interactions with company management, board members and investor relations teams.

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.

## Collaborative approach and industry advocacy

In addition to engaging directly with companies, Marshall Wace also fosters collaborative engagement via industry networks (including UNPRI, TCFD, CDP, Climate Action 100+).

Industry advocacy is carried out by engaging with other organisations, companies, regulators and ESG raters to support coordinated stewardship interactions and drive long term sustainable impact. As such, Marshall Wace is a signatory or member of the following SI-related initiatives:

- United Nations-supported Principles for Responsible Investment (PRI) (May 2020)
- Task Force on Climate-related Financial Disclosures (TCFD) (March 2021)
- Transition Pathway Initiative (TPI) (April 2021)
- Carbon Disclosure Project (CDP) (June 2021)
- Climate Action 100+ (August 2021).
- Global Investor Statement (September 2021)
- Task Force on Nature-related Financial Disclosures (TNFD) Forum (October 2021)
- AIMA's Responsible Investment Working Group
- The Managed Funds Association's ESG Working Group

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.

## Monitoring, Evaluation and Oversight

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

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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.

MW's CIO and Chairman has oversight over Sustainable Investing and Stewardship activities, policies, and processes. Cases of presumed conflict of interest in proxy votes or engagements will be escalated to the CIO. The Head of Sustainable Investing and Stewardship reports directly to MW's CIO and Chairman.

The review of Sustainable Investing and Stewardship practices for the firm is also conducted by other individuals throughout the firm.

## Reporting

The engagement monitoring process was devised for the purpose of internal reporting to management as well as external reporting to investors.

Investors can obtain information on how MW voted client securities as well as a copy of MW's ESG and Climate Voting Policy including specific voting guidelines in use.

## Proxy Voting: ESG and Climate Policy

Marshall Wace adopts a customised ESG voting policy with a dedicated Climate overlay.

MW supports good governance with an emphasis on sustainable corporate practices.

MW is supportive of the themes listed in its stewardship priorities. The guidelines in the MW ESG and Climate Voting policy are focused on these themes which include among the others environmental and social proposals, compensations structures, directors' tenure and diversity, and independence of board chair.

Marshall Wace's policy has a Climate overlay which provides a focus on environmental risk mitigation and promoting enhanced climate disclosure and climate-related risk mitigation strategies. As such, the policy will support shareholder proposals focused on environmental issues such as those seeking improved sustainability, reporting and company practices that impact the environment.

The policy applies an extra focus on companies with high greenhouse gas (GHG) emissions.

The Climate overlay is inspired by the Task Force on Climate-related Financial Disclosures ("TCFD") framework and its focus on managing climate-related risks based on four pillars: governance, strategy, risk management, metrics/targets.

## Voting Process

MW will vote on the funds' positions in both systematic and fundamental strategies, except in circumstances where voting may block shares from trading.<sup>1</sup>

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.

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

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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 whilst caring for our employees and wider communities.

For further details please see our full Engagement policy under the regulatory disclosures section of our website.

## ■ 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 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.

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