



## Marshall Wace

# Sustainable Investing and Stewardship Approach

### INTRODUCTION

Sustainable Investing (“SI”) and stewardship are part of how we fulfil our duty to our clients whilst caring for our employees and communities.

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

This statement sets out MW’s approach to SI and stewardship: both strategically, through our principles, organisation, and people, and in practice, through stewardship, as well as the integration of SI into our research, governance and risk management.

Additionally, this statement addresses our approach to corporate social responsibility, including how MW supports its communities, manages its environmental impact and maintains its commitment to diversity and collegiality.

### SUSTAINABLE INVESTING AND STEWARDSHIP STRATEGY

#### Firmwide Approach

MW offers a broad range of investment strategies with the majority of the assets that it manages invested in equity long/short strategies characterised by two distinct approaches: traditional investment strategies grounded in fundamental stock research, and systematic strategies. MW endeavours to integrate SI principles into both types of processes. Additionally, MW carries out engagement on behalf of all the funds in its management.

## Principles

- MW endeavours to integrate SI and stewardship principles into both fundamental and systematic investment strategies.
- MW investment teams seek to integrate customised data and ESG factors into their investment process and use them for idea generation, the identification of thematic opportunities, and risk assessments.
- MW promotes active ownership via engagement, customised ESG voting policies, and collaboration with industry networks.
- MW is committed to achieving positive social and environmental change.
- MW is rooted in its local communities and committed to supporting them through charitable giving.

## People and Oversight

MW's SI and stewardship framework and policies are overseen by the Head of Compliance, the US General Counsel, MW's Chief Investment Officer ("CIO") and Chairman, and the Head of SI and Stewardship. MW's CIO and Chairman has ultimate oversight of SI and stewardship activities, policies, and processes. The Head of SI and Stewardship reports directly to MW's CIO and Chairman. Additionally, MW's Operating Committee will typically review high-priority SI and stewardship objectives on a monthly basis.

MW's Head of SI and Stewardship is responsible for designing the firm's SI and stewardship framework and policies, coordinating the integration of SI principles across MW's various investment strategies, managing stewardship efforts and interactions with investee companies at a firm level, and also managing proxy voting activities.

MW delegates certain responsibilities for SI and stewardship to the relevant investment teams. With respect to its fundamental strategies, MW will designate an analyst on each fundamental team to act as that team's ESG Analyst. The ESG Analysts and the Portfolio Managers will support the Head of SI and Stewardship in coordinating engagement activities and voting processes across the firm.

MW also undertakes training for those members of its investment and non-investment teams on SI and Stewardship topics including ESG themes, data, scoring, and environmental risk management.

## SUSTAINABLE INVESTING APPROACH

### ESG Integration and Thematic Investing

Investment strategies and research processes across the firm consider ESG factors and data that have been both developed internally and acquired from external sources.

For fundamental strategies, the investment teams have access to ESG data and asset class research and may analyse ESG risks and opportunities even if these have not been deemed relevant or material. Furthermore, fundamental teams can research thematic ESG trends driving future secular growth and seek to identify companies exposed to such themes. For systematic strategies, a variety of signals have been incorporated into the process, including signals related to ESG criteria. MW also manages dedicated ESG TOPS systematic strategies.

### **Exclusionary investing**

MW operates a firm-wide exclusion policy with respect to trading in the stocks of companies involved in the production of components or whole systems of cluster munitions and landmines. Additionally, MW has created exclusionary versions of some of its strategies. This is accomplished by way of filtering of specific stocks/sectors with externally sourced screens as well as with restriction lists.

The ESG TOPS systematic strategies maintain specific exclusions and long restrictions.

### **Risk Management**

A relevance and materiality assessment is carried out annually to ascertain if ESG-related risks are relevant and material for fundamental strategies based on certain qualitative and quantitative factors concerning the strategy as well as industry practices and subjective estimates, which may change.

The investment teams will also have access to an internal proprietary ESG Analytics framework that is being developed to monitor portfolio risks and exposures to ESG factors. This may help the investment teams manage portfolio exposures to certain vectors, such as to environmental and climate-related risks, which are considered material.

## **STEWARDSHIP APPROACH**

MW views stewardship as a long-term process and believes that engagement is an effective tool to achieve meaningful change. MW intends to foster a constructive and collaborative relationship with the companies in which the MW-managed funds have positions, with a view towards educating companies on sustainability as a means to drive shareholder value.

While typically the opportunity for long-term constructive engagement is limited for systematic strategies, these strategies still play a part in the firm-level stewardship strategy.

### **Priorities**

MW fully recognises that a management team is appointed by the company's shareholders to manage that company's business. MW sees engagement as a two-way dialogue.

Engagement is meant to educate the companies on broad themes 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, decarbonization plans and environmental reporting.
- **Company-specific objectives:** MW engages with companies on specific objectives, and this engagement is tailored based on the company's existing approach to ESG:
  - 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 decarbonization plans.
  - Companies with low ESG profiles: engage with companies on how they are managing their exposure to ESG risks as well as improving their ESG scores and reporting.

## Activities

### Direct Engagement

Engagement will be carried out via direct interactions with company management, board members and investor relations teams. MW is committed to engaging with companies in which its 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).

### Collaborative Engagement and Industry Advocacy

In addition to engaging directly with companies, MW also fosters collaborative engagement via industry networks including the UN PRI, Task Force on Climate-related Financial Disclosures ("TCFD"), TNFD, CDP, Climate Action 100+, IIGCC, TPI, and AIMA's RI Committee.

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 may be contacted at [stewardship@mwam.com](mailto:stewardship@mwam.com) to discuss our interest in potential engagement.

### Voting: ESG and Climate Policy

MW aims, where applicable, to exercise the proxy voting rights of the funds under its management at most shareholder meetings for which it has the right to vote. The primary objective of our shareholder engagement activities is the protection and enhancement of the value of the funds' investments in public companies.

MW has developed a firmwide ESG and Climate voting policy (the “Voting Policy”). MW is supportive of the Themes listed in its stewardship priorities set out above. The guidelines in the 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.

MW’s Voting Policy has a Climate overlay which has specific guidelines for companies with high greenhouse gas (GHG) emissions and whether these businesses have processes around environmental and climate-related risk mitigation. As such, the Voting Policy will typically support shareholder proposals focused on environmental issues such as those seeking improved sustainability, enhanced climate reporting and company practices that impact the environment. The Climate overlay is inspired by TCFD framework.

MW has appointed Glass, Lewis & Co. LLS (“GL”) as its proxy advisor. GL manages the operational lifecycle of the vote. MW will override the initial Voting 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.

## MONITORING

Given that 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, and voting activity. This was designed to keep track of interactions, enhance the research process and monitor stewardship progress.

The firm recognises that ESG considerations can have a significant influence on investment performance both positively and negatively. Certain fundamental investment team members access ESG information for portfolio reviews and monitoring.

## CORPORATE SOCIAL RESPONSIBILITY

### Supporting our Communities

The demand to be socially responsible comes from within Marshall Wace’s culture.

MW staff organise and participate in charitable endeavours, and the company supports them. Each region has a Charity of the Year programme, where employees nominate charities to receive both financial and strategic support. Individual giving is matched by MW, and in the UK staff participate in the Give As You Earn (“GAYE”) scheme, for which we earned the Payroll Giving Diamond Award in 2021.

MW co-founders are founding trustees of Absolute Return for Kids (“ARK”) and have been active members of its board since its launch in 2002. ARK is an international charity that exists to give young people – regardless of their background – access to great education and increased opportunity. We also support Minds Matter NYC, a comprehensive and highly successful program that empowers young people from low-income families to achieve college readiness and success.

### **Environmental initiatives**

MW endeavours to manage its environmental impact and promote energy efficiency. We have committed to undertaking a periodic carbon footprint analysis (Scope 1, 2 and part of 3), typically on an annual basis. Over the past few years our firm has taken several steps to improve our environmental impact including switching to renewable energy in the London office, adopting highly efficient and/or LED lights where possible, obtaining building certifications, reducing plastics, and increasing recycling efforts. Starting in 2021 we also purchased voluntary carbon credits to offset our residual emissions. MW will continue to promote energy efficiency, and aim to offset the firm’s yearly residual emissions via offsets.

### **Diversity and Collegiality**

At Marshall Wace, we consider Diversity to include gender, culture, ethnicity, nationality and economic background. We believe that diverse perspectives are critical to driving creative and innovative thinking. Diversity of thought is key to disruption and change, and we are focused on empowering students and young people to break through barriers to reach their full potential. We recruit specifically for these diverse perspectives and employ over 50 different nationalities out of 450 employees. Our employees are encouraged to bring their ideas and personal experiences in ways that help support each other, which in turn benefit our clients.

We continue to work with industry bodies and other groups to establish and drive initiatives to address this issue, primarily focused at the school and university/college level, where we believe our engagement is likely to have the greatest impact. Our website includes examples of our current engagements.

## 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)

## IMPORTANT INFORMATION

The content of this brochure has been approved by Marshall Wace LLP for information purposes only and may only be communicated to persons who are of a kind to whom unregulated collective investment schemes may be promoted by virtue of Section 238(5) of the Financial Services and Markets Act 2000. It does not constitute an offer or solicitation to any person in any jurisdiction to purchase or sell any investment. An offering can be made only by means of the fund's offering memorandum, which includes a discussion of the terms of the investment and the risk factors. Some or all alternative investment programmes may not be suitable for certain investors. No information in this document should be construed as providing financial, investment or other professional advice. This information contained herein is for the sole use of its intended recipient and may not be copied or otherwise distributed or published.

## Investment Risks

Investment in the funds managed by the firm (the "Funds") carries substantial risk. There can be no assurance that the investment objective of the Funds will be achieved and investment results may vary substantially over time. Investment in the Funds is not intended to be a complete investment programme for any investor. Investment in the Funds is intended for experienced investors who are able to understand and accept the risks involved.

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.

Marshall Wace LLP has in place internal policies and controls designed to prevent market abuse.

## Copyright and Other Rights

The copyright, trademarks and all similar rights of this website and the contents, including all information, graphics, code, text and design, are owned by Marshall Wace LLP. Information contained in this communication must not be reproduced, copied or redistributed in whole or in part.

## Your personal Data

Marshall Wace LLP ("Marshall Wace") may collect and process the following data about you if you contact, or are contacted by, or meet with Marshall Wace. Marshall Wace may keep a record of that correspondence or meeting and may record telephone calls for regulatory compliance purposes. This is in order to (i) provide you with information, products or services that you request from Marshall Wace or which Marshall Wace feel may interest you, where you have consented to be contacted for such purposes; (ii) to determine your eligibility for investment in the funds managed by Marshall Wace (iii) to allow Marshall Wace to effectively carry out its function as asset manager and to provide effective client servicing to you; and (iv) to notify you about changes to Marshall Wace's service.

## Limitation of liability and Indemnity

Marshall Wace LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaim liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data. Marshall Wace LLP accepts no liability for any loss or damage arising out of the use or misuse of or reliance on the information provided including, without limitation, any loss of profits or any other damage, direct or consequential or the distribution of this information to unauthorised recipients. You agree to indemnify and hold harmless Marshall Wace LLP and its affiliates, and the partners and employees of Marshall Wace LLP and its affiliates from and against any and all liabilities, claims, damages, losses or expenses, including legal fees and expenses, (together, 'Losses') arising out of your use of this communication, save to the extent that such Losses may not be excluded pursuant to relevant law or regulation.

This document is a private publication intended for private distribution. This information is subject to change without notice. The securities mentioned may not be eligible for sale in some states or countries, nor suitable for all types of investors.

Marshall Wace LLP, whose registered address is George House, 131 Sloane Street, London SW1X 9AT, is authorised and regulated by the Financial Conduct Authority.

© Copyright 2022, Marshall Wace LLP. All rights reserved.

Marshall Wace LLP is a signatory to the Standards Board of Alternative Investments

Signatory of:



*These organisations' acceptance of Marshall Wace as a signatory or participant does not constitute their endorsement of the Firm nor does it indicate that the Firm has attained a particular level of skill or ability.*