ARROWSTREET
CAPITAL

# Statement Regarding Environmental, Social and Corporate Governance (ESG) in respect of The Arrowstreet Common Contractual Fund and its Sub-Funds (the "Funds")

March 2021

## Philosophy

Our research focuses on identifying, thoroughly testing, and incorporating investment signals into our quantitative return and risk models. We understand that environmental, social, and corporate governance ("ESG") considerations can impact businesses' profitability and sustainability of earnings, in addition to the risks associated with their securities. As such, we evaluate and selectively incorporate ESG information into our investment process.

In 2016, we became a signatory to the Principles for Responsible Investment ("PRI") demonstrating our recognition of the importance of these issues.

## Investment Process

We incorporate what we believe to be the best investment insights into the Funds' investments with the objective to deliver sustainable alpha on a risk-controlled basis. Consistent with this ambition, all investment and risk signals, including those associated with ESG information, are evaluated in a systematic and rigorous manner prior to inclusion in our process. We have found that some of our existing expected return signals are correlated with ESG measures. The most conspicuous examples are our quality signals, which tend to be somewhat correlated with the corporate governance component of ESG.

## Continued Commitment to Research

One of our core beliefs is that active management is an intrinsically dynamic activity, and we continually reinvest in research, including research related to ESG concepts and characteristics. To this end, we recognize that the risks and return potential related to ESG issues change and evolve over time. We are therefore committed to considering and evaluating various signals associated with ESG information as well as related third-party academic research to identify potential return or risk implications associated with ESG-based signals.

To ensure that progress is measured and continuous, we have established a Responsible Investing Committee that meets quarterly to discuss our approach to various ESG related issues, both in our investment process and in our internal business practices.

## No Consideration of Sustainability Adverse Impacts

Pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR"), we are required to determine whether we consider the principal adverse impacts of our investment decisions on sustainability factors. We are supportive of the aim of this requirement which is to improve transparency to investors and the market generally as to the consideration of the adverse impacts of investment decisions on sustainability factors. However, we could not gather and/or measure all of the data on which we would be obliged by SFDR to report, or we could not do so systematically, consistently and at a reasonable cost to investors. This is in part because underlying companies or issuers are not widely obliged to, and overwhelmingly do not currently, report by reference to the same data. On this basis, and due to the size, nature and scale of the Funds, and in the absence of the finalised regulatory technical standards relating to this disclosure, we do not consider the principal adverse impacts of investment decisions on sustainability factors at this time. This approach will be reviewed annually, in particular to ensure that these requirements under SFDR continue to be adequately discharged with reference to market developments.