



**Proxy Voting Policy**  
**April 1, 2019**

**Introduction**

We have adopted this policy and related procedures to provide for voting of securities held in client accounts consistent with our fiduciary duty of care and loyalty and in a manner consistent with the best interest of the client and, in the case of benefit plans subject to ERISA, in the best interest of the plan participants and beneficiaries. Capitalized terms used in this policy and not defined have the meaning ascribed in the Compliance Manual.

**Client Accounts Subject to this Policy; Authorization to Vote**

This policy applies to client securities for which we have discretionary voting authority. Our proxy voting authority shall be evidenced in the client's account agreement or other written instruction provided by the client.

**Third Party Proxy Service Provider; Selection**

Our policy is to engage a third party service provider to provide proxy voting services in respect of securities held in client accounts and to follow that service provider's proxy recommendations. We believe that engaging a proxy voting service provider is in the best interest of our clients because a specialist service provider is more likely to:

- have the resources and expertise to effectively monitor events affecting issuers of client securities in a careful, comprehensive and timely manner, thus allowing the service provider to cast informed votes in accordance with their standard proxy guidelines; and
- have appropriate procedures for addressing material conflicts of interest if any arise.

Before engaging a third party voting service, the Chief Compliance Officer will make reasonable inquiry to ensure that the voting policies of the service provider are consistent with the client's best interests. Such inquiry will review of the robustness of the proxy service provider's policies and procedures regarding its ability to:

- ensure that its proxy voting recommendations are based on current and accurate information; and
- identify and address any conflicts of interest and any other considerations that the investment adviser believes would be appropriate in considering the nature and quality of the services provided by the proxy advisory firm.

We have retained Institutional Shareholder Services (ISS), a leading proxy service provider, to provide proxy voting services, including the following:

- monitor events affecting the issuers of client securities as required to cast informed votes;
- make decisions on voting client securities and vote the securities in a timely fashion; and
- maintain certain records concerning the foregoing required by applicable law, rule or regulation, including the U.S. Securities and Exchange Commission (SEC) and U.S. Department of Labor (DOL).

ISS maintains a set of proxy voting guidelines that describe in greater detail how it generally votes specific proxy matters for firm clients. While not an exhaustive list, the ISS proxy voting guidelines are intended to serve as the foundation on which ISS makes most of its proxy voting decisions. The ISS proxy voting guidelines are publicly available and can be found on their official website. ISS may, upon our request, modify the ISS proxy voting guidelines to address individual client requirements.



We may, in our discretion, choose to override a decision of ISS with respect to such proxy vote in circumstances where ISS discloses a material conflict of interest and we determine that doing so would be in the best interests of our clients. For more information, see “Conflicts of Interest” below.

### **Third Party Service Provider Monitoring**

We will perform the following monitoring procedures:

- *Annual.* On no less than an annual basis, we will review the adequacy of ISS’ (i) staffing and personnel; and (ii) policies and procedures relating to the voting of proxies and management of conflicts of interest.
- *Semi-Annually.* On no less than a semi-annual basis, we will conduct a sampling of client proxy votes and underlying proxy research reports (such sampling to be based primarily on size of client holdings) to confirm that ISS proxy voting recommendations are based on current and accurate information (such sample to consist of a comparison of the underlying proxy materials relative to the applicable ISS proxy research report). If we determine that a recommendation of ISS was based on a material factual error that causes us to question the process by which ISS develops its recommendations, we will take reasonable steps to investigate the error, taking into account, among other things, the nature of the error and the related recommendation, and seek to determine whether ISS is taking reasonable steps to seek to reduce similar errors in the future.
- *Quarterly.* On no less than a quarterly basis, we will conduct a sampling of client proxy votes and underlying proxy research reports to confirm that are voted in a manner consistent with the ISS Proxy Guidelines.
- *Ongoing.* On an ongoing basis, we will:
  - require ISS to disclose to us material changes to its conflict of interest policies or procedures, and specifically, any circumstances where ISS has identified, in accordance with its policies, a proxy vote involving an unmitigated conflict of interest;
  - require ISS to disclose to us material changes to its business that affect ISS’ capacity and competency to provide proxy voting advice;
  - require ISS to disclose to us all “votes against” the ISS Proxy Guidelines on a periodic basis; and
  - coordinate between our firm, the custodian(s)/administrators of client accounts subject to this policy, and ISS to facilitate the delivery of proxies and related materials for the respective client securities in a timely manner (it being understood, however, that our ability to vote proxies is dependent on the timely and accurate delivery of proxy data from the applicable custodian/administrator to ISS).

In addition, we will review the adequacy of this policy not less than annually to confirm that the policy (i) has been implemented in accordance with its terms and (ii) is reasonably designed to ensure that proxies are voted in the best interests of clients.

### **Environmental, Social and Governance (ESG) Voting**

Environmental, social and corporate governance (ESG) principles are taken into account in our service provider’s standard proxy voting policies. In addition, upon the request of a client, we can implement enhanced ESG specific voting procedures with respect to the securities held in such client’s account. For such clients, we contract with ISS to cast votes based on a specialized ISS proxy voting policy which is based on the Principles for Responsible



Investment. ISS then monitors events affecting the issuers of securities as required to cast informed votes based on these principles; makes decisions on voting securities and maintains necessary records on the votes cast. We will pay for the cost of such services. Such procedures have not been implemented in the Arrowstreet Sponsored Funds and we do not expect that they will be implemented.

### **Third Party Service Provider Fees**

We pay for the cost of ISS' proxy voting services, except in the case of individually tailored proxy voting guidelines, in which case the cost of such service may be the responsibility of the client.

### **Recordkeeping**

The Chief Compliance Officer will maintain, or cause ISS to maintain, the following records under this policy for such period as is required by SEC Rule 204-2 (currently five (5) years) or for such longer period as may be requested in writing by a client or by applicable law:

- *Arrowstreet*. We will maintain the following records with regard to this policy:
  - Copies of this policy (and revisions thereto);
  - A copy of each written client request for information on how we or ISS voted that client's shares, and a copy of any written response by us to any written or oral client request for such information;
  - A copy of each document prepared by us that was material to making a decision on how to vote proxies on behalf of a client, or that records the basis for the decision;
  - A record of each vote cast by the firm on behalf of a client in which we override ISS' recommendation;
  - Documentation relating to any conflict of interest review undertaken by the Chief Compliance Officer; and
  - Documentation relating to the due diligence and review of the proxy service provider.
- *ISS*. We will cause ISS (a registered investment adviser) to (i) maintain the following records under this policy for such period as is required by SEC Rule 204-2 (currently five (5) years) or for such longer period as may be requested in writing by the firm and (ii) produce such records promptly on request:
  - Copies of ISS' Proxy Voting Guidelines and policies and procedures relating to the voting of proxies and management of conflicts of interest (and revisions thereto);
  - A copy of each proxy statement received regarding client securities, other than any that is available via the SEC's EDGAR system;
  - A copy of each research report prepared by ISS material to making a decision on how to vote proxies on behalf of our clients; and
  - A record of each vote cast by or on behalf of the firm with respect to client shares.

### **Conflicts of Interest**

We believe that, as a result of utilizing ISS, conflicts of interest between the firm and a client in the proxy voting context will be rare. However, conflicts of interest may arise (i) when ISS notifies us of a conflict of interest involving a proxy recommendation and, as a result, we exercise discretion as to whether following the ISS recommendation is in the best interests of our clients; or (ii) in connection with the selection and maintenance of ISS as third party proxy voting service provider.

The Chief Compliance Officer will review any such conflict of interest and use his best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his independent assessment of the best interests of the relevant clients. Such resolution may include, among other things, the firm seeking voting instructions from any affected client.



If ISS notifies the firm of a conflict of interest with respect to a proxy vote after such vote has been taken, the Chief Compliance Officer shall take such action as he deems necessary or appropriate under the circumstances.

It is our policy not to accept any input from any other person or entity in connection with proxy voting decisions, with the exception of a client directed vote or votes made by ISS. In the event that a firm investment professional is pressured or lobbied either from within or outside of the firm with respect to any particular proxy voting decision, such event shall be reported to the Chief Compliance Officer.

### **Limitations on Exercising Right to Vote**

The following are some limitations on the ability to vote proxies on behalf of clients. This is not intended to be an exhaustive list.

- *Shareblocking Markets.* We may, in certain cases, refrain from voting if voting could potentially restrict our ability to sell out of a particular name for a certain duration. This is often the case in markets that follow the practice of “shareblocking”. Since voting rights or trading rights can be affected in securities held in shareblocking markets, we generally instruct ISS to refrain from voting in shareblocking markets.
- *Securities Lending.* Certain clients engage in securities lending programs, under which shares of an issuer could be on loan while that issuer is conducting a proxy solicitation. As part of the securities lending program, if the securities are on loan at the record date, the client lending the security cannot vote that proxy. Because neither we nor ISS is generally aware of when a security may be on loan, these securities cannot generally be recalled prior to the record date, and, therefore, in most cases, the shares on loan will not be voted.
- *Prime Broker Rehypotheication.* Certain clients whose securities are held at a prime broker may be subject to rehypotheication. Shares of an issuer could be rehypotheicated while that issuer is conducting a proxy solicitation. If securities are rehypotheicated at the record date, the proxy for that security cannot be voted. Because neither we nor ISS is generally aware of when a security may be rehypotheicated, these securities cannot generally be recalled prior to the record date, and, therefore, in most cases, the shares will not be voted.
- *Costs of Voting Proxies; Power of Attorney and Other Documentation.* If we determine that the costs of voting in a particular case are likely to exceed the expected economic benefits of voting, ISS may not vote. This is likely to occur, for example, in cases where particular documentation, a registration or a power of attorney is required for proxy voting in certain markets or specific meetings and a client has not provided (or facilitated) such documents with its custodian. As neither we nor ISS is privy to the specific client/custodian arrangements, it is the responsibility of the client and/or the client custodian to ensure the necessary documentation is in place for voting purposes.
- *Timely Communication of Proxies by Custodian.* Our ability to vote proxies on behalf of client accounts is dependent, in part, on the effective and timely communication of proxies and related materials from the client’s custodian to ISS. We may be unable to vote client proxies if such proxies and related materials are not received, or received too late to take action thereon. It is the responsibility of the applicable client custodian to vote proxies in accordance with instructions received from ISS.
- *Account Termination.* In the event of an account termination, Arrowstreet will manage proxies for any meeting having a record date on or prior to the effective date of such termination (which includes voting proxies for meetings occurring after such effective date, if the meeting record date occurred prior to termination). Reporting on such proxy votes following an account termination is available upon request.



### **Client Directed Proxy Voting**

We typically do not accept directions or guidelines from clients regarding the voting of securities held in client accounts, other than to assign the responsibility for voting to a third party service selected by either the client or the firm. We recommend that any client wishing to direct the voting of its securities should either retain the voting authority itself or grant such authority to another party. Any such action should be reflected in the client's account agreement or other written document.

We may, in limited circumstances, accept client voting directions or guidelines with the approval of the Chief Compliance Officer, subject to implementation of appropriate policies and procedures addressing the client's requirements.

### **Interpretation and Administration**

The Chief Compliance Officer is authorized to interpret this policy and adopt additional procedures for its administration. The Chief Compliance Officer may waive any provision of this policy in any particular case if consistent with the goals of the policy.

### **Client Disclosures; Obtaining Policies and Records**

We will make disclosure to clients of this policy and how they may obtain information on how we voted with respect to their securities. Clients can contact our Chief Compliance Officer by calling 617-919-0000 or via e-mail at [regcompliance@arrowstreetcapital.com](mailto:regcompliance@arrowstreetcapital.com) for a copy of the ISS proxy voting guidelines (or obtain them online from ISS' website) or to obtain a record of how proxies were voted for their account.

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