



AQR Engagement Policy and Procedures

AS AMENDED: MAY 2020 | LAST REVIEWED: JUNE 2020

AQR Capital Management, LLC | Two Greenwich Plaza | Greenwich, CT 06830 | U.S. | Phone: +1.203.742.3600 | Web: aqr.com



I. Statement of Policy

As set out in AQR's Stewardship Philosophy, our primary focus is to maximize long-term value for our clients in a responsible manner and consistent with our core values.

As a diversified and systematic asset manager, AQR will typically hold positions across many issuers, industries and geographies. This provides a challenge but also an opportunity for a broadly-implemented engagement policy. While AQR acknowledges the potential value in maintaining a dialogue with all portfolio companies, the need to focus engagement efforts to where it will have maximum impact is also recognized.

AQR's Stewardship Committee has developed an engagement strategy based on our fundamental belief in open dialogue and transparency as well as our conviction that improvements in corporate governance are paramount in well-functioning capital markets. Our policy seeks to engage with companies to improve their transparency to financial markets with the ultimate objective being to increase the risk-adjusted returns of our portfolios.

AQR has implemented three distinct engagement programs:

1. Proxy Voting Company Engagement
2. ESG Issuer Engagement
3. Collaborative Engagement with other Institutional Investors/Asset Owners

II. Engagement Programs

1. Proxy Voting Company Engagement

At times, given our scale and scope, AQR will amass relatively large positions (in aggregate, across all our funds) in certain companies either by reference to their overall market capitalization or relative to other investors' holdings. In these instances, AQR may be approached by companies in advance of upcoming general shareholder meetings, particularly if material issues are proposed for shareholder vote. AQR will undertake to individually engage with companies where holdings are greater than 1% of outstanding shares at the time. The objective of these engagements is to learn more about the issue at hand, with a particular focus on any ESG concerns. Where an upcoming vote relates to ESG concerns, AQR will express our desire for ESG concerns to be handled responsibly, and for the company to be transparent and disclose to the investment community any relevant issues, including its approach to solving them. Consistent with AQR's other engagement efforts, AQR encourages issuers to produce and maintain consistent reporting of these issues.



AQR may also engage with individual companies in relation to certain corporate events (e.g., mergers and acquisitions). For example, consistent with the AQR Proxy Voting Policy and Procedures, AQR may undertake issuer-specific vote analysis and engagement related to corporate restructuring and arbitrage, with such analysis including our own internal proprietary research and analysis as well as research on proxy proposals and voting recommendations from proxy advisory firms AQR has engaged.

The AQR ESG Engagement Team will endeavor to review all available information in advance of individual engagement meetings and keep a record of these discussions, any follow up meetings and voting records.

All AQR comingled funds have implemented a sustainable proxy voting policy that reflects our commitment to holding our portfolio companies accountable to sustainable growth and greater ESG transparency.

AQR's fundamental approach to voting proxies is set out in the AQR Proxy Voting Policy and Procedures.

2. ESG Issuer Engagement

AQR will engage directly with portfolio companies that meet certain pre-defined internal and external criteria. Internal factors relate to AQR's absolute holding in an issuer across all AQR-managed portfolios. External factors are based on ESG scores that are assigned to issuers using various ESG data sources. Using these factors, engagement may ensue with companies where AQR is a significant shareholder and the issuer has been identified by AQR for ESG related issues such as human rights abuses, environmental challenges, corruption allegations, employee or consumer safety concerns, or anti-competitive behavior. AQR aims to engage up to 20 of our largest holdings that currently have significant ESG-related controversies or issues. The primary objective of these engagements is to learn more about the relevant ESG issue(s) and how they are being handled by management, and to express to the company the importance of full and complete transparency to the investment community of the ESG issue(s) and the issuer's approach to solving them.

AQR believes this engagement will lead to more accurate pricing of ESG risks and opportunities and AQR encourages the management of our portfolio companies to improve along these dimensions.

3. Collaborative Engagement with other Institutional Investors/Asset Owners

In addition to AQR's individual company engagement activities, collaborative engagement with other institutional investors or asset owners is also an important component of our overall engagement strategy. The Stewardship Committee is tasked with evaluating AQR's participation in these types of initiatives. Given our broad and often deep investment universe AQR is in a unique position to participate and bring to



bear its weight to specific initiatives it may deem conducive to achieving its goal of greater transparency and improved governance.¹

When considering participation in specific initiatives, AQR follows the principles advocated by the United Nations Principles for Responsible Investment (“UNPRI”) for successful collaborative engagement: Commonality, Coordination, Clarity and Clout as set out in more detail in the UNPRI Introductory Guide to Collaborative Engagement.

In certain circumstances, other stakeholders might be included in our collaborative engagement, notably governments or government-related agencies that can add value to our engagement program.

III. Engagement Process

The AQR ESG Engagement Team, composed of members of the Stewardship Committee, is responsible for managing the firm’s programs and reporting to the Stewardship Committee on a regular basis as well as seeking strategic input from the Steering Committee composed of the senior leadership of the firm and the Head of Responsible Investment.²

IV. Potential Conflicts of Interest

AQR’s approach to mitigating potential conflicts of interest is to work closely with the Compliance Department in all engagement programs to establish proper disclosure and process. Direct engagement will solely be conducted with companies where AQR is a shareholder. Diligent and ongoing compliance training for all employees gives clear guidance on appropriate handling of potential conflicts of interest.

AQR operates a single engagement platform across all assets under management. AQR does not have subsidiaries with different engagement protocols, thereby reducing risks for conflicts of interest.

¹ While engaging with other investors on topics about a particular issuer, and in order to avoid the inadvertent formation of a “group” for purposes of reporting and disclosure obligations, members of the AQR ESG Engagement Team must not agree, either verbally or in writing, to act together with such investor in trying to influence or exert a change in control of an issuer or its management, or to vote the equity securities of an issuer in a particular manner, without prior written authorization from AQR’s Legal and Compliance group.

² If an engagement arises where the company representatives could perceive AQR as trying to influence or exert a change in control of an issuer or its management, the AQR ESG Engagement Team will inform the company representatives of its lack of intent to do so in any such discussions and maintain internal documentation of such communication.



V. Material Nonpublic Information

Prior to any engagement and at the outset of any conversation with portfolio companies, the AQR ESG Engagement Team will instruct the issuer that any information to be shared as part of any engagement should not include any material, non-public information (“MNPI”) and maintain internal documentation of such communication.

Any member of the AQR ESG Engagement Team who believes that they may have come into possession of MNPI during any engagement with an issuer must comply with AQR’s restrictions on the use of MNPI as outlined in AQR’s Business Conduct Manual, including appropriate notification to a member of AQR’s Legal and Compliance group.

VI. Disclosure

Upon request, AQR will furnish a copy of this Policy together with information on firm-wide engagements. AQR’s ESG Engagement Team can be contacted via e-mail at ESG@aqr.com.

VII. Review of Policy and Procedures

As a general principle, the Stewardship Committee, with the involvement from the Compliance Department, reviews, on an annual basis, the adequacy of this Policy to reasonably ensure it has been implemented effectively, including whether it continues to be reasonably designed to ensure that AQR’s approach to engagement is in the best interests of its clients.

