

GlobeFlex Capital Responsible Investment Policy

April 2021

GlobeFlex Philosophy

Environmental, social and governance considerations are an integral component of our investment philosophy. We believe ESG issues are important influences on a company's long-term corporate value and have the potential to significantly impact the future expected returns and risk profile over a medium- to long-term time horizon.

Our investment philosophy is centered on identifying companies on a global basis that are characterized by accelerating fundamentals, quality management, and attractive valuations. As we determine the fundamental profile of a company, we analyze and evaluate a wide array of metrics, combining both traditional fundamental factors along with non-financial elements. Included in this data are a broad set of metrics directly addressing ESG related issues and opportunities.

We define our process as systematic, which incorporates the best of our qualitative, fundamental bottom-up judgments into quantitative methods, to ensure a consistent, repeatable delivery of alpha. Our process is able to model both financial and non-financial metrics and is applied across nearly 18,000 companies globally. Our ESG criteria are fully integrated into this process and within our Alpha Model, our proprietary and primary stock selection tool. Our Alpha Model, in combination with our portfolio construction techniques and risk management considerations, forms our total investment approach to responsible investing across all of our investment strategies.

GlobeFlex's Comprehensive Approach to Responsible Investment

Our approach to responsible investment is to fully integrate ESG considerations into our bottom-up analysis of all companies in our universe. We identify a suite of ESG factors within our Alpha Model, comprised of relevant and material industry-specific risks and opportunities influencing a company's potential financial sustainability. These factors are comprised of ESG data sourced through several third party research providers as well as our own proprietary data.

We support the Task Force on Climate-Related Financial Disclosures (TCFD) and include in our climate consideration recommended metrics such as measures of carbon intensity. Social considerations encompass both human and social capital and include metrics which measure diversity and inclusion and product safety, among others. Governance scores evaluate board composition as well as corporate behavior. As a member of the Sustainability Accounting Standards Board (“SASB”), we utilize their framework to stress the financially material key drivers which are most important within each industry and that may impact the company’s financial health and performance over time.

As we continue to push our research agenda, we expect that there will be gradual enhancements in our assessment of ESG information as companies meet greater transparency pressures, especially in areas where data is sparse, such as in smaller capitalization companies. Our research efforts are always adaptive, with a goal of identifying incremental information and opportunities. As such, our research efforts will continue to evaluate new sources of ESG information as we refine and enhance our investment process.

In addition to ESG factor integration, we have identified a small subset of industries – including coal, detention centers, retail assault guns, and tobacco – that pose large long-term risks, and that have a small probability of transforming their fundamental drivers to either significantly reduce or eliminate their inherent long-term fundamental and reputational risks. As such, we do not invest in these industries.

GlobeFlex has the ability to develop custom portfolio solutions to help clients meet their individual ESG goals. We can incorporate exclusionary screens for clients who want to restrict specific securities and/or industries for religious, ethical, environmental or other values-based considerations. A targeted ESG portfolio can be optimized to concurrently maximize expected return and a prescribed ESG score or level, while minimizing risk and transaction costs. GlobeFlex will work with the client to understand the potential impact of the restrictions on portfolio performance and risk and can manage against a custom benchmark upon request.

Stewardship

GlobeFlex believes that active ownership is a key part of a comprehensive and integrated approach to responsible investing. As an investment boutique with a systematic approach, we do not directly engage with companies. Rather, we demonstrate our active ownership through proxy voting and collaborative engagement. Shareholder initiatives regarding ESG issues are to be assessed in the context of their financial materiality and risk to the company's operations. The GlobeFlex Responsible Investing Group will assess our proxy voting guidelines no less than annually and will review votes cast as necessary.

At the firm level, we collaboratively engage through multiple associations. We are a member firm of the Thirty Percent Coalition, whose mission is to advocate for diversity on corporate boards, promoting women and people of color. Each year, the Coalition embarks on an outreach program to write to companies with zero or only one woman on their board. It encourages them to improve the gender diversity of their board, along with racial and ethnic considerations. The outreach also requests improved disclosure as well as the implementation of the Rooney Rule. As a member, we are a signatory on these letters.

We are also a CDP signatory, which runs the global environmental disclosure system. Each year CDP supports thousands of companies, cities, states, and regions to measure and manage their risks and opportunities on climate change, water security, and deforestation at the request of their investors, purchasers, and city stakeholders. Over the last two decades, CDP has created a system that has resulted in unparalleled engagement on environmental issues worldwide.

Governance and Reporting

GlobeFlex can provide extensive ESG reporting to our clients. This could include, for example, ESG characteristics for the portfolio and relevant benchmark, the portfolio's ESG scorecard, and proxy voting results.

GlobeFlex has established a Responsible Investing Group to evaluate ESG related risks and opportunities and to prioritize and promote policies and actions consistent with our objectives of building and supporting long-term relationships with clients. The group is responsible for the implementation of our Responsible Investment Policy, and as a signatory of the UN PRI, to promote our commitment to investing in accordance with their standards. The group is comprised of our CEO, CIO and senior team members.