

# **GlobeFlex Capital Responsible Investment Policy**

*Reviewed and Updated: June 2024*

## **Philosophy**

We believe environmental, social and governance (ESG) matters impact companies' long-term corporate value, influencing future expected returns and risk profiles over a medium- to long-term time horizon.

Our investment philosophy focuses on identifying companies on a global basis that are characterized by accelerating fundamentals, quality management, and attractive valuations. We assess a company's fundamental profile by evaluating a wide array of traditional and non-financial metrics, including ESG-related risks and opportunities.

We employ a systematic process that combines our fundamental bottom-up judgments into quantitative methods, ensuring a consistent, repeatable delivery of alpha. Our process models both financial and non-financial metrics and is applied across roughly 20,000 companies globally. Our ESG criteria are fully integrated into this process 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, drives our investment process for all of our strategies.

## **Approach to Responsible Investment**

Our approach to responsible investment involves integrating 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. The ESG data behind these factors is sourced from several third party research providers as well as our own proprietary data.

Within our Environmental assessment, we include climate related 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. We are members of the IFRS Sustainability Alliance and we utilize the "SASB" 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 advance our research agenda, we anticipate gradual enhancements in our ESG assessment as companies meet greater transparency pressures, especially in areas where data is sparse, such as in smaller capitalization companies. Our research efforts are adaptive, aiming to identify 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.

We avoid investing in industries with high long-term risks and low transformation probabilities including coal, detention centers, retail assault guns, and tobacco.

GlobeFlex can develop custom portfolio solutions to help clients achieve their individual ESG goal, incorporating exclusionary screens or managing against a custom benchmark upon request.

## **Engagement**

As an investment boutique with a systematic approach, we do not directly engage with companies. Rather, we collaboratively engage through the following 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, and formally call on companies to increase diversity - inclusive of gender, race, and ethnicity - in senior leadership ranks. 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. As a member, we are a signatory on these letters.

We are also a signatory to CDP, 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 with companies on environmental issues worldwide.

## **Proxy Voting**

Our investment process focuses on identifying and investing in companies exhibiting strong underlying fundamentals and sound management. While holding a stock, we generally support the company's management team decisions. However, when our process detects a decline in management quality, we typically divest – effectively 'voting' with our actions. Though GlobeFlex does not primarily utilize the proxy voting process to influence management decisions, we acknowledge the importance of impacting company practices through proxy ballots.

We engage Institutional Shareholder Services ("ISS") on an agency basis to provide research and voting recommendations, carry out the mechanics of the voting process, and maintain proxy voting records. ISS has formulated country-specific and regional voting guidelines based on their research, which set forth positions on recurring issues. These serve as the

foundation for their voting recommendations and are used for all client portfolios for which we have proxy voting responsibility, unless a client has provided their own custom proxy voting guidelines. We count on ISS to leverage their extensive expertise in the assessment of all proposals, regardless of the proposer or the particular matter proposed.

Although we do not currently take an ESG-conscious approach to proxy voting at the firm level, we can vote per custom guidelines should a client request that we do so.

## **Reporting**

Upon request, GlobeFlex can provide extensive ESG reporting, including portfolio and benchmark ESG characteristics, scorecard, carbon metrics, and proxy voting results.

## **Governance**

Since 2017, GlobeFlex has been a signatory of the United Nations-supported Principles for Responsible Investment (PRI). Our commitment to these principles involves fulfilling our reporting requirements and maintaining transparency with our stakeholders.

GlobeFlex's Responsible Investing Group evaluates ESG-related risks and opportunities, promoting policies and actions aligned with our long-term client relationship objectives. The group, comprised of our CEO, CIO and senior team members, is responsible for the implementation of this Policy and monitoring our PRI commitment.