

# Proxy Voting Policy

Reviewed and Updated: December 2020

## Background

When so directed and authorized by a client via our investment management agreement, GlobeFlex is responsible for voting proxies for securities held in the client's account(s). This document sets forth GlobeFlex's policies and procedures designed to comply with Rule 206(4)-6 under the Investment Advisers Act of 1940 (the "Advisers Act") which requires that GlobeFlex:

- adopt and implement written policies and procedures reasonably designed to ensure that it votes client securities in the best interest of clients;
- address material conflicts that may arise in connection with proxy voting;
- describe its proxy voting policies and procedures to clients and furnish them a copy of the policies and procedures upon request; and
- disclose to clients how they may obtain information from GlobeFlex about how proxies for their securities were voted.

Where a client's assets are governed by Employee Retirement Income Security Act of 1974 ("ERISA"), GlobeFlex must also adhere to certain requirements and prohibitions as set forth in 2020 rulemaking by the Department of Labor ("DOL").

## Approach & Process

GlobeFlex's investment process seeks to identify and purchase stock of companies where underlying fundamentals demonstrate good company management. While we continue to hold a stock we are generally supportive of decisions made by the company's management team. When our investment process identifies a decline in management quality, we typically divest from the company -- we "vote" with our actions and sell the stock. Therefore, GlobeFlex does not utilize the proxy voting process to attempt to influence management decisions or change the course or control of a company.

And yet the voting rights that accompany the ownership of stock are an asset. As with all our undertakings for clients, we have a duty to carry out proxy voting in their best interest. Proxy voting should generally be carried out with the goal of maximizing shareholder value.

For accounts subject to ERISA, GlobeFlex has the additional obligation to carry out proxy voting prudently and solely in the interests of the plan participants and beneficiaries and for the exclusive purpose of providing benefits to participants and beneficiaries. Put another way, the use of plan assets to further policy-related or political issues, including ESG issues, through proxy votes that are not likely to enhance the economic value of the investment could violate ERISA's prudence and exclusive purpose requirements. The DOL has specifically clarified that ERISA fiduciaries are not required to vote all proxies.

## Best Efforts

Proxy voting will be undertaken on a best efforts basis, but there may be times when the timing or cost of voting a proxy may be unusual or prohibitive, exceeding the expected benefit to the client.

For example, casting a vote on a foreign security may require the company's receipt of the client's original signature on a new document in an unreasonably short period of time. Generally in such cases, GlobeFlex will communicate the relevant facts to a client, and determination of whether to vote or not will include a consideration of the percentage of outstanding shares the client owns.

Another example is "share blocking." Some countries and banks require shareholders wishing to vote their proxies to deposit their shares shortly before the date of the meeting with a designated depository. During this blocking period, shares that will be voted cannot be sold until the meeting has taken place and the shares are returned to the shareholders' custodian banks. As this would limit our ability to transact in the shares for a period of time, where share blocking is required GlobeFlex will likely abstain from voting those shares.

As an additional example, if a client participates in a securities lending program, GlobeFlex is not able to vote proxies of those shares that are on loan and a client would miss revenue opportunity if those shares were recalled.

While not voting certain proxies is not necessarily a violation of fiduciary obligations, GlobeFlex shall at no time ignore or neglect its proxy voting responsibilities.

## Use of a Proxy Advisory Firm

GlobeFlex engages Institutional Shareholder Services ("ISS") on an agency basis to provide research and voting recommendations, carry out the mechanics of voting execution, and maintain proxy voting records. Under a service agreement, ISS keeps GlobeFlex apprised of shareholder meeting dates, makes research and ballot materials available for review, and instructs votes in accordance with its voting guidelines or GlobeFlex's specific instruction.

## Voting Guidelines

ISS has formulated voting guidelines, based on their research, which set forth positions on recurring issues. These serve as the foundation for their voting recommendations. We review these policies annually when they are published, and historically have adopted them as our own. With the exception of an ESG-focused investment strategy, discussed below, GlobeFlex currently does not author our own voting guidelines.

ISS's voting guidelines are not exhaustive and may not cover all potential voting issues. Proposals not covered by the guidelines and contested situations shall be evaluated on a case-by-case basis for GlobeFlex's review and instruction. GlobeFlex will take into consideration all of the relevant facts and information available at the time. GlobeFlex will then communicate its voting decision to ISS.

Where a client has its own voting policy or guidelines, GlobeFlex provides this documentation to ISS and instructs ISS to vote proxies for such clients according to those custom documents. However, we generally do not take voting instruction from clients on any particular ballots and our

clients are not permitted to instruct ISS directly when they have delegated proxy voting responsibility to GlobeFlex. The Chief Compliance Officer (“CCO”) should be informed of any direction received from a client regarding voting of a particular ballot.

### Voting Process

The vote population and execution process is entirely automated by ISS. GlobeFlex has insight into the process through ISS’s online portal.

ISS formulates a voting recommendation for each ballot item based on its voting policy and its analysis of relevant information and data it has gathered. This data is subject to rigorous quality control checks and is transparent to the subject companies through data verification portals. Subject companies can access copies of ISS’s vote recommendations, at no cost and in keeping with ISS’s long-standing policy of transparency, and provide feedback to ISS.

Once ISS has formulated a voting recommendation, it populates voting instructions for each ballot item and then automatically submits the votes by the deadline set by the particular company. GlobeFlex does not typically review the voting instructions before they are submitted, short of a notation or referral that brings a ballot item or items to our attention. Nevertheless, GlobeFlex still bears ultimate responsibility for proxy voting decisions and ISS’s role in this process does not relieve GlobeFlex of our fiduciary responsibility.

It is possible that, after ISS has already formulated its voting recommendation but before votes have been submitted, a company issues additional information or identifies erroneous information in ISS’s recommendation. This could affect ISS’s voting decision for some or all of the items on the ballot. ISS makes every effort to review such additional information and may change its vote recommendations in light thereof. Even if vote instructions for a meeting have already been submitted, those votes could be changed in most cases.

As noted above, GlobeFlex has authored its own voting guidelines for an ESG-focused investment strategy. For this strategy, once ISS has formulated a voting recommendation for each ballot item those voting instructions are populated. GlobeFlex then reviews the populated votes on ISS’s online portal against our voting guidelines for the strategy, making any needed voting changes. GlobeFlex then manually submits the votes.

### Oversight of the Proxy Advisory Firm

ISS is subject to GlobeFlex’s third-party service provider due diligence process. This involves annual document collection and review and periodically meeting with ISS to review the services they provide.

Ongoing oversight of proxy voting activity is carried out by the Portfolio Management Team, the Head of Operations, and the CCO. In addition, the CCO conducts a quarterly review of proxies voted on a sample basis. This review seeks to confirm that:

- all shares eligible to vote were indeed voted;
- votes were cast in accordance with ISS’s voting recommendation or a client’s custom policy;

- and there exists a reasonable rationale for vote recommendations.

## **Identifying and Resolving Conflicts of Interest**

### Potential conflicts of interest

A potential conflict of interest arises when GlobeFlex has business interests that may not be consistent with the best interests of its client. The following is a non-exhaustive list of potential conflicts of interests that could influence GlobeFlex in the proxy voting process:

- GlobeFlex retains an institutional client, or is in the process of retaining an institutional client, that is (or is affiliated with) an issuer that is held in GlobeFlex's client portfolios.
- GlobeFlex retains a client, or is in the process of retaining a client that is an officer or director of an issuer that is held in GlobeFlex's client portfolios.
- GlobeFlex employees maintain a personal and/or business relationship (not an advisory relationship) with issuers or individuals that serve as officers or directors of issuers.
- A GlobeFlex employee personally owns a significant number of an issuer's securities that are also held in GlobeFlex's client portfolios.

Conflicts could also arise within ISS' business. For instance, a wholly-owned subsidiary serves the corporate issuer community through the provision of products and services that enable issuers to understand and implement corporate governance best practices. Other potential conflicts could arise between divisions within ISS (proxy research, responsible research, and analytics), within the institutional advisory business, and in connection with an issuer's review of draft analyses.

### Identifying conflicts of interest

GlobeFlex realizes that due to the difficulty of predicting and identifying all material conflicts, it must rely on its employees to notify the CCO of any material conflict that may impair GlobeFlex's ability to assess proxies in an objective manner.

Regarding separate account clients and private fund investors that are U.S. public companies – as noted above, GlobeFlex does not typically review ISS's voting recommendations before votes are submitted, short of a notation or referral that brings a voting item to our attention. This mitigates the potential for the interests of GlobeFlex or any particular employee to influence proxy voting decisions. In addition, if any portfolios own shares of a public company client, the testing process noted below includes a review of the votes cast for those shares to confirm the votes were cast in line with ISS's voting recommendation and not influenced by GlobeFlex.

In addition, any attempts by individuals within GlobeFlex to influence the voting of client proxies in a manner that is inconsistent with this Proxy Voting Policy shall be reported to the CCO. Further, any attempts by persons or entities outside GlobeFlex to influence the voting of proxies shall be reported to the CCO. The CCO may then elect to report the attempt to the Chief Executive Officer, Chief Investment Officer and legal counsel.

Regarding ISS' potential conflicts – GlobeFlex will monitor ISS to confirm that it is effectively identifying and managing its potential conflicts of interest. ISS is itself a registered investment adviser, and is required to disclose conflicts of interest in its Form ADV Part 2A. As part of its ongoing due diligence of ISS, GlobeFlex will undertake a review of this and other documents that ISS makes available, including its policies on conflicts of interest and its Code of Ethics and related controls, such as the physical and functional “firewall” maintained between the services offered by its subsidiary to corporations and by ISS to its institutional investor clients.

#### Resolution of conflicts of interest

If detected, material conflicts of interest will be assessed and addressed on a case-by-case basis taking into account the facts and circumstances of the particular situation. GlobeFlex will consult with its compliance consultant and/or outside counsel as warranted.

#### **Recordkeeping**

GlobeFlex shall maintain the following types of historical records:

##### Client requests to review proxy votes:

- Any request, whether written (including email) or oral, received by any employee of GlobeFlex, must be promptly reported to Client Service/Marketing. All written requests must be retained in the permanent file.
- In order to facilitate the dissemination of proxy voting records to clients, Client Service /Marketing may distribute to any client requesting proxy voting information the complete proxy voting record of that client for the period requested.
- Client Service/Marketing will furnish the information requested, free of charge, to the client within a reasonable time period. GlobeFlex will maintain a copy of the written record provided in response to client's written (including email) or oral request. A copy of the written response should be attached and maintained with the client's written request, if applicable, and maintained in the permanent file.
- Clients are permitted to request the proxy voting record for the 5-year period prior to their request.

##### Proxy voting policy and procedures:

- GlobeFlex will maintain the current Proxy Voting Policy as well as all past versions for the last 7 years.

##### Proxy voting records:

- A record of how client proxies were voted (such records are also maintained by ISS).

- Documents prepared or created by GlobeFlex that were material to making a decision on how to vote, or that memorialized the basis for the decision.
- Documentation or notes or any communications received from third parties, other industry analysts, third-party service providers, company's management discussions and the like that were material in the basis for any voting decisions made by GlobeFlex.

### **Disclosure**

GlobeFlex will ensure that Part 2A of Form ADV is updated as necessary to reflect: (i) all material changes to the Proxy Voting Policy; and (ii) information about how clients may obtain information on how GlobeFlex voted their securities.

### **Solicitation**

As a matter of practice, GlobeFlex will not reveal or disclose to any unrelated third parties or issuers how GlobeFlex may have voted or intends to vote a ballot.

The CCO is to be promptly informed of the receipt of any solicitation from any parties other than ISS on how to vote on behalf of clients, and the CCO shall handle all responses to such solicitations. At no time may any employee accept any remuneration in return for the voting of proxies.