



# Sustainable Investing Policy



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# Sustainable Investing Policy



## INTRODUCTION TO GLOBAL X ETFs

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For more than a decade, Global X ETFs ("Global X") has been empowering investors with unexplored and intelligent solutions. Exploration is core to who we are, and we are continuously evaluating investment opportunities to best prepare for the future. Global X provides innovative investment solutions through our exchange-traded funds (ETFs), ETF model portfolios, separately managed accounts (SMAs), and private placements— all supported by comprehensive research capabilities.

Recognizing the imperatives of sustainability, climate change, equity, and other environmental, social, and governance (ESG) issues is critical. As long-term investors, we acknowledge the structural challenges presented by climate change, the promise of sustainable development, and the financial materiality of ESG. Through our tailored thematic and socially responsible investing strategies, and guided by more than a decade of experience, we offer investors the ability to invest alongside their values and ESG-related priorities.

Global X is committed to expanding our sustainable investing rigor through policy, risk management, active ownership, and disclosure. As we continue to grow, we aim to incorporate the sustainable principles established in this policy and beyond, where appropriate.

## SUSTAINABLE INVESTING BELIEFS

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- Global X views sustainability as a structural change impacting all communities, businesses, and the environment. Adapting to this shift requires innovative solutions. We recognize the risks present if sustainable development is not a priority in the coming century, and seek to develop investing solutions related to sustainable business practices and disruptive technologies that can pave the road to a more sustainable future.
- Global X believes that the “unequivocal” threat of climate change as reported by the Intergovernmental Panel on Climate Change (IPCC) will be one of the defining challenges in the next century. Global X offers a suite of environment-focused ETFs that invest in targeted themes composed of companies whose primary business objectives and revenue sources are related to environmentally conscious practices such as renewable energies, clean technologies, agriculture technology, and more.
- We offer ETFs and other investment vehicles that provide targeted exposure to sustainable themes, holding “pure-play” companies that, in most cases, generate at least a majority of revenues from activities related to a sustainable theme. During the research and product development process, we identify sustainable themes (e.g., the rise of electric vehicles) that we believe provide opportunities to positively impact sustainable development over a long-term time horizon.
- Although most of our ETFs are passively managed, we take an active approach to investment stewardship. For select funds, this is achieved by adhering to ESG Proxy Voting Guidelines.



## SUSTAINABLE INVESTMENT OPPORTUNITIES

At Global X, we are continuously identifying powerful disruptive macro-level trends, and we anticipate that the urgency to transition to a more sustainable future will only grow. The threats of climate change, the importance of responsible business practices, and the need for sustainable development will remain key issues where we see expanding sustainable investment opportunity.

### CLIMATE CHANGE

Climate change is expected to negatively impact individuals, businesses, communities, and the planet, unless efforts are made to tackle it. Climate disasters are occurring at a more frequent and devastating rate, causing \$120 billion in financial losses and devastation between 2016-2021 alone.<sup>1</sup> Without climate action from policymakers and the private sector alike, it is unlikely that the world will meet the emissions reduction goals of the 2015 Paris Agreement that the scientific consensus agrees are necessary to limit global warming to well below 2°C. As an asset manager, we believe that climate change presents an opportunity for companies whose primary business objectives are to create products and services that reduce society's environmental impact.



### CONSCIOUS COMPANIES

Corporate practices affect more than the bottom line, and inevitably impact the environment and broader society. Therefore, it is necessary for companies to recognize the importance of building long-term value for all key stakeholders. Keeping the priorities of all stakeholders in mind including Employees, Suppliers, Stock and Debt Holders, Customers, and Communities allows for companies to minimize the negative externalities of their business practices.

### UN SUSTAINABLE DEVELOPMENT GOALS

The 17 UN Sustainable Development Goals (UN SDGs) adopted in 2015 aim to end poverty, improve access to health and education for all, reduce inequality, spur economic growth, and tackle climate change while preserving the planet's natural resources. The UN estimates that \$5 to \$7 trillion per year from 2015-2030 is needed to bridge the financing gaps to achieve the UN SDGs.<sup>2</sup> It will require collaboration from many actors in the government, non-profit, and the financial sector to achieve the UN SDGs by 2030. As we develop new investment solutions, the UN SDGs provide a framework for identifying approaches that can provide exposure to companies that are advancing one or more of the goals.



<sup>1</sup>White House, [https://www.whitehouse.gov/wp-content/uploads/2022/04/ap\\_21\\_climate\\_risk\\_fy2023.pdf](https://www.whitehouse.gov/wp-content/uploads/2022/04/ap_21_climate_risk_fy2023.pdf)

<sup>2</sup>UN Global Compact, <https://www.unglobalcompact.org/take-action/action/globalallianceforsdgfinance>



## SUSTAINABLE INVESTING SOLUTIONS

Global X offers a lineup of sustainable investing solutions designed to suit a wide range of client objectives. While we strive for a holistic approach to sustainability across the different investment vehicles, there may be differences across product lines due to structural, regulatory, or other considerations.

### EXCHANGE-TRADED FUNDS (ETFs)

Although most of our ETFs are index-tracking, our team works closely with best-in-class index providers to thoughtfully construct new indexes that incorporate sustainable investing strategies where applicable. We utilize multiple sustainable investing approaches across our ETF suite, such as sustainable thematic, socially responsible investing (inclusionary/ exclusionary screening), and ESG Integration.

#### SUSTAINABLE THEMATIC

We launch funds targeting disruptive technologies and/or sustainable business models that are expected to positively contribute to a more sustainable world and to the UN SDGs, such as alternative energy and agriculture technology. These funds invest in a targeted set of companies that generate significant revenue from activities related to the respective sustainable theme.



#### SOCIALLY RESPONSIBLE INVESTING

The roots of sustainable investing began with Socially Responsible Investing (SRI), an investing strategy that adheres to certain values typically in the form of company exclusions. This is often achieved using a screening process that excludes companies with involvement in a defined set of activities. SRI investing tends to replace a standard equity core exposure. Global X's Socially Responsible Investing ETFs adhere to a defined set of criteria, and we seek to ensure that the exposure continues to be consistent with those criteria on an ongoing basis.



#### ESG INTEGRATION

ESG Integration incorporates a range of data points related to the management of environmental, social, and governance issues at the company and board level. Using data from ESG ratings agencies and dozens more sources and rankings, our ESG Integration strategy identifies and evaluates companies that are best able to achieve positive outcomes for stakeholders including Customers, Employees, Suppliers, Stock and Debt Holders, and Communities in which they operate in.



### EUROPE

In Europe, our sustainable thematic UCITS ETFs adhere to the Article 8 fund categorization in accordance with the European Union Sustainable Finance Disclosure Regulation (SFDR). Most of our Article 8 UCITS funds utilize the ESG data provider, Minerva, to implement additional screens ensuring adherence to the United Nations Global Compact and the exclusion of controversial products. Controversial products are defined by Minerva as those that pose a material risk due to a large portion of investors perceiving them as offensive, embarrassing, harmful, socially unacceptable, or ethically objectionable. Any existing or potential constituent of the fund's index that does not meet the labor, human rights, environmental, and anti-corruption standards as defined by the United Nations Global Compact Principles, or that breaches the established thresholds for involvement in controversial products, as of the quarterly review will be excluded by the index provider.

### INSTITUTIONAL SOLUTIONS

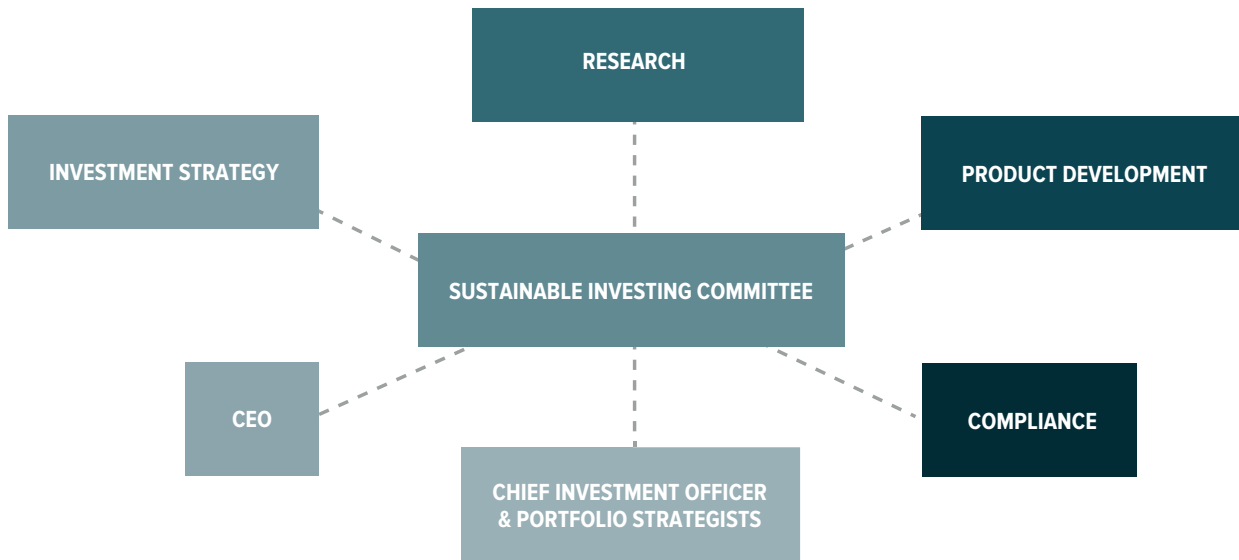
Global X also offers Institutional Solutions within its Sustainable Investing product lineup, including sustainable model portfolios and separately managed accounts (SMAs). The sustainable model portfolios provide low-cost exposure to sustainable investing by combining broad-based ETFs that are tilted towards sustainability, along with a dedicated sleeve of sustainable theme ETFs. Sustainable theme ETFs are selected with the UN SDGs in mind, as well as their disruptive growth potential. Separately managed accounts give institutional investors the opportunity to tailor a sustainable investing strategy to their investment needs.



## GLOBAL X ETFs GOVERNANCE

Sustainable investing is a top line priority for Global X with many internal stakeholders involved. At Global X, we have a Sustainable Investing Strategy team, a Global Sustainable Investing Committee, and a European Sustainable Investing Committee.

The Sustainable Investing Strategy team focuses on sustainable investing priorities related to product development, strategic priorities, engagement with industry groups and companies, research, and sales. The Sustainable Investing Strategy team sits within the broader Research team.



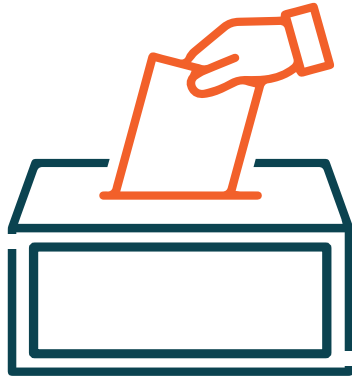
The Global Sustainable Investing Committee is the primary governance body for Global X ETFs to collaborate on strategic priorities for sustainable investing developments and firmwide policies, chaired by the Head of the Sustainable Investing Strategy team. The Committee meets bi-monthly and includes senior management from Research & Strategy, Product, Compliance, Investment Strategy Chief Investment Officer (CIO) & Model Portfolios, and the Chief Executive Officer.

The European Sustainable Investing Committee additionally focuses in on Europe-specific issues related to sustainable investing. Many of the members of the European Sustainable Investing Committee also sit on the Global Sustainable Investing Committee from Europe Legal, Compliance, Product Development, and Business Development.



## INVESTMENT STEWARDSHIP

While Global X is primarily a passive investment manager, we believe in the importance of being active stewards of capital to promote long-term value creation and growth. We demonstrate our commitment to investment stewardship through Shareholder Engagement & Proxy Voting activities. Investment Stewardship allows investors to maximize long-term value through engagements with companies on material business and ESG risks and exercising proxy voting responsibilities.



### PROXY VOTING

Global X ETFs exercises its shareholder rights through Proxy Voting. We employ data-driven ESG or Socially Responsible Proxy Voting guidelines through our partner, Glass Lewis, to vote on ESG-related shareholder resolutions on sustainable investing strategies in the US and for all European UCITS ETFs. Glass Lewis research analysts cover over 30,000 meetings each year across approximately 100 global markets. Global X ETFs utilizes Glass Lewis' Viewpoint platform to manage voting activity while utilizing Glass Lewis' Proxy Paper research. Glass Lewis also utilizes data providers such as ESG Book and Sustainalytics to inform its research and voting decisions.



### CORPORATE ENGAGEMENT

Corporate engagement is a growing priority for Global X ETFs. Global X ETFs has ongoing engagements with portfolio companies organized by Research Analysts and/or the Sustainable Investing Strategy team. Global X ETFs uses engagement activities to better learn about a company's overall business model and will work to better understand any material ESG-related risks that can impact performance on financial and sustainability-related metrics.



## INDUSTRY COLLABORATION

### UN PRI

Global X became a signatory of the UN PRI on October 19, 2020, demonstrating the firm's commitment to developing a more sustainable, global financial system. In joining the UN PRI, Global X ETFs became part of a broader community committing to upholding the following six principles of Responsible Investment:







The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

Signatory of:



### CA100+

In 2022, Global X ETFs joined Climate Action 100+, a collaborative engagement initiative formed after the 2015 Paris Agreement with the aim of engaging and working with companies with the greatest greenhouse gas emissions to encourage greater disclosure of climate change risks and robust company emissions reduction strategies. Through Climate Action 100+, Global X ETFs engages with companies alongside other investor signatories to promote corporate climate disclosure, emissions reduction, and climate action.

<p><b>Principle 1</b></p> <ul style="list-style-type: none"> <li>We will incorporate ESG issues into investment analysis and decision-making processes.</li> </ul> 	<p><b>Principle 2</b></p> <ul style="list-style-type: none"> <li>We will be active owners and incorporate ESG issues into our ownership policies and practices.</li> </ul> 	<p><b>Principle 3</b></p> <ul style="list-style-type: none"> <li>We will seek appropriate disclosure on ESG issues by the entities in which we invest.</li> </ul> 
<p><b>Principle 4</b></p> <ul style="list-style-type: none"> <li>We will promote acceptance and implementation of the Principles within the investment industry.</li> </ul> 	<p><b>Principle 5</b></p> <ul style="list-style-type: none"> <li>We will work together to enhance our effectiveness in implementing the Principles.</li> </ul> 	<p><b>Principle 6</b></p> <ul style="list-style-type: none"> <li>We will each report on our activities and progress towards implementing the Principles.</li> </ul> 

<sup>3</sup> ESG Funds may underperform other similar funds that do not consider ESG guidelines when making investment decisions.





Investing involves risk, including the possible loss of principal. There is no guarantee the strategies discussed will be successful. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Narrowly focused investments may be subject to higher volatility. The funds are non-diversified. ESG Funds may underperform other similar funds that do not consider ESG guidelines when making investment decisions.

Information Technology companies can be affected by rapid product obsolescence, and intense industry competition. Risks include disruption in service caused by hardware or software failure; interruptions or delays in service by third-parties; security breaches involving certain private, sensitive, proprietary and confidential information managed and transmitted; and privacy concerns and laws, evolving Internet regulation and other foreign or domestic regulations that may limit or otherwise affect the operations. Healthcare, Genomics, Biotechnology and Medical Device companies can be affected by government regulations, expiring patents, rapid product obsolescence, and intense industry competition. CleanTech Companies typically face intense competition, short product lifecycles and potentially rapid product obsolescence. These companies may be significantly affected by fluctuations in energy prices and in the supply and demand of renewable energy, tax incentives, subsidies and other governmental regulations and policies. The risks related to investing social media companies include disruption in service caused by hardware or software failure, interruptions or delays in service by third-parties, security breaches involving certain private, sensitive, proprietary and confidential information managed and transmitted by social media companies, and privacy concerns and laws, evolving Internet regulation and other foreign or domestic regulations that may limit or otherwise affect the operations of such companies. There are additional risks associated with investing in lithium and the lithium mining industry.

Indices are unmanaged and do not include the effect of fees, expenses or sales charges. One cannot invest directly in an index. This information is not intended to be individual or personalized investment or tax advice and should not be used for trading purposes. Please consult a financial advisor or tax professional for more information regarding your investment and/or tax situation.