



BACKGROUND

HORIZONS GLOBAL SUSTAINABILITY LEADERS INDEX ETF **(ETHI)**

Gain exposure to 200 Sustainability Change Leaders in a single trade



HORIZONS ETFs
by Mirae Asset

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ETHI



GENERAL INVESTMENT OBJECTIVE

The Horizons Global Sustainability Leaders Index ETF (ETHI) is Horizons ETFs' first ETF that invests solely in companies that meet Socially Responsible Investing ("SRI") standards. ETHI was chosen as its ticker symbol to let investors know they can feel confident that the ETF places ethics at its core.

ETHI seeks to replicate, to the extent possible, the performance of the Nasdaq Future Global Sustainability Leaders USD Index (the "Index"), net of expenses. The Index is designed to provide exposure to the performance of a basket of large-cap equity securities of companies that are global climate change leaders (as measured by their relative carbon efficiency), and are not materially engaged in activities deemed inconsistent with responsible investment considerations. ETHI seeks to hedge the U.S. dollar value of its portfolio to the Canadian dollar at all times.

ETF SNAPSHOT

Name: Horizons Global Sustainability Leaders Index ETF

Inception Date: October 31, 2018

Stock Exchange: Toronto Stock Exchange

Ticker: ETHI

Management Fee: 0.45% (Plus applicable sales tax)

Investment Manager: Horizons ETFs Management (Canada) Inc.

Underlying Index: Nasdaq Future Global Sustainability Leaders USD Index

Bloomberg Index Ticker: NQFGSLTD

Eligibility: All Registered and Non-Registered Investment Accounts

NASDAQ FUTURE GLOBAL SUSTAINABILITY LEADERS USD INDEX

Many SRI-targeted indices are focused on excluding companies, or negatively screening companies, that fail to meet minimum SRI standards. The Index holds a higher standard for inclusion. This Index seeks to hold the companies that are the world's leaders in SRI business practices, rather than just excluding those companies that fail to meet basic SRI requirements.

The Nasdaq Future Global Sustainability Leaders USD Index, the Underlying Index of ETHI, includes 200 large global stocks that are constituents of the Nasdaq Developed Markets Index (excluding Australia), that have been identified as "Climate Leaders" and have also passed certain eligibility screens designed to exclude companies with direct or significant exposure to the fossil fuel industry or that are engaged in other activities deemed inconsistent with responsible investment considerations.

WHAT IS SOCIALLY RESPONSIBLE INVESTING?

Along with seeking to achieve positive returns, many people are also choosing to invest in strategies that have positive environmental and social impacts.

Often referred to as SRI, it is the practice of selecting investments in companies considered good corporate citizens. These companies embrace, reflect and promote the development of conditions aligned with important social, environmental and/or ethical business practices.

A Growing Investment Trend

While SRI has become more popular in recent years, it is not a new phenomenon. In the 20th century, pension funds helped spur the rise of ethical investing through the adoption of directives that channeled investments into companies aligned with the values their plan members deemed important to them. Global ESG assets are worth at least US\$37.8 trillion in AUM, according to the most recently available data from 2020¹. In Canada, SRI, most of which utilizes environmental, social and governance (ESG) practices, is estimated to total approximately C\$3 trillion².

WHY DOES IT MATTER?

That desire for responsible investment exposure is translating into dollars invested: in 2020, 33% of polled Canadian investors indicated they currently own responsible investments — up from 26% in 2019³.

In many ways, choosing your investments can be similar to voting in an election – selecting the candidate that you believe will best reflect your values and is most likely to achieve your economic goals, are some of the same characteristics sought by investors when choosing a socially responsible investment.



¹Source: Bloomberg Intelligence, as at December 31, 2021.

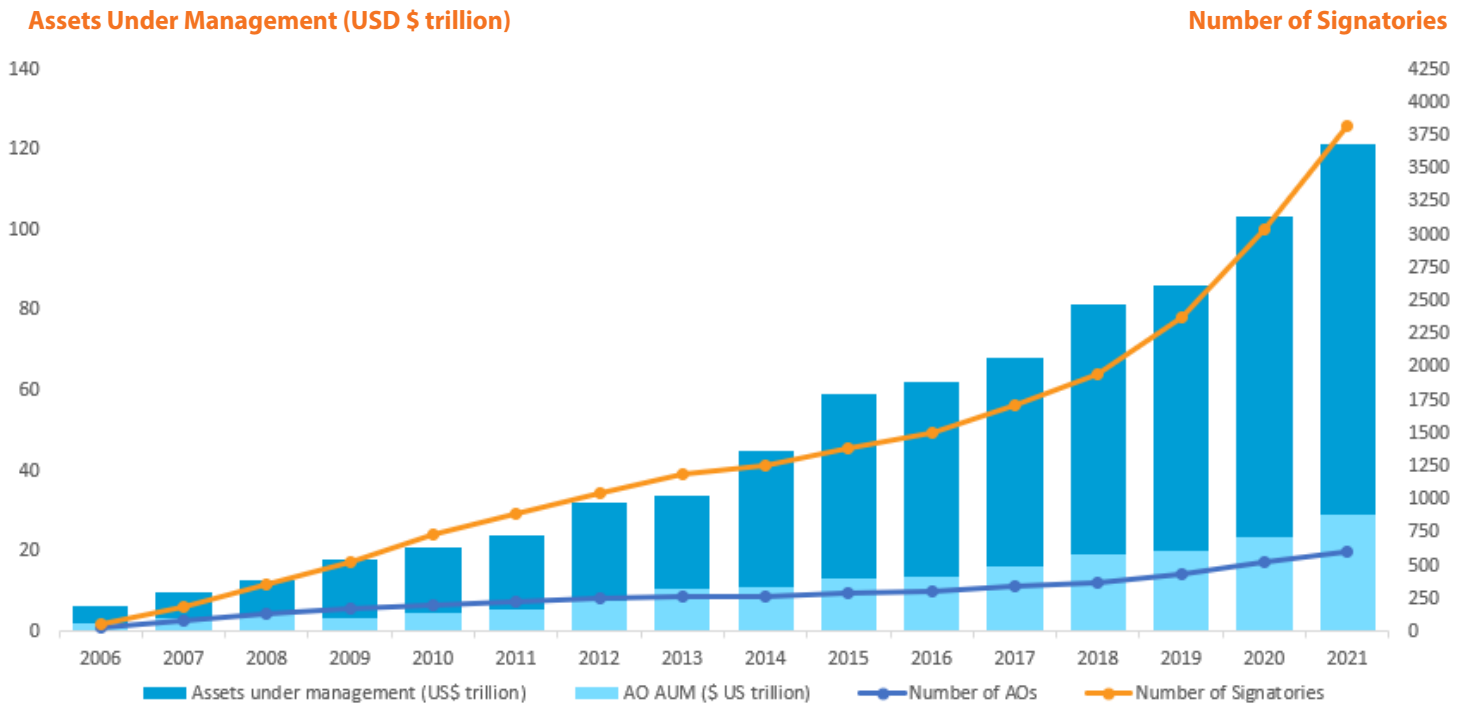
²Source: 2022 Canadian RI Trends Report, as at December 31, 2021.

³Source: Responsible Investing Association 2020 Investor Opinion Survey, as at October 22, 2020.

Principles for Responsible Investment

The Principles for Responsible Investment (“PRI”) is the world’s leading proponent of responsible investments. It is an independent, not-for-profit organization that encourages investors to use responsible investment to enhance returns and better manage risks. The PRI engages with global policymakers, but is not associated with any government. It is supported by, but not part of, the United Nations (“UN”). The PRI has two UN partners – the UN Environment Programme Finance Initiative and the UN Global Compact – which play an important role in integrating ESG considerations into their investment decision-making, including holding a seat each on the PRI Board, and providing additional avenues for signatories to learn, collaborate and take action towards responsible investment⁴.

The chart below shows the growth in the number of signatories of the ‘Six PRI’s Principles for Responsible Investment’⁵. Signatories - which include Mirae Asset Global Investment Group, Horizons ETFs’ parent company — account for more than US\$121.3 trillion in global assets under management⁴.



⁴Source: Principles for Responsible Investment, 2021-22 Annual Report

⁵The PRI’s ‘Six Principles for Responsible Investment’ are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. Source: <https://www.unpri.org/pri/about-the-pri>.

Note: “Asset Owners” are organizations that represent the holders of long-term retirement savings, insurance and other assets. Examples include pension funds, sovereign wealth funds, foundations, endowments, insurance and reinsurance companies and other financial institutions that manage deposits. This is the principal category of signatory.

Why it matters is ultimately a personal choice – there is no “socially responsible investment” that applies to every investor. Instead, finding an investment that you can feel confident will work for your portfolio and help match your values with the impact you want is an important factor when making an investment decision.

WHAT TYPES OF INVESTORS ARE BUYING ETHICAL FUNDS?

Pension Plans

In Canada, most of the \$3 trillion in AUM⁶ in ethical investing mandates are currently driven by institutions⁷. Many of Canada's large pension funds have mandates to invest with SRI/ESG principles as part of their portfolio strategies.



Within its governing policies, the CPP Investment Board integrates ESG policies into its investment management process and also takes an active role in voting on measures that align with those values, including improving diversity.



The Ontario Teachers' Pension Plan has introduced four principles to guide its investing actions.⁸

- Integrating ESG factors into their processes
- Being engaged owners
- Evolving their responsible investing practices
- Using its global influence to create a supportive and sustainable business

Individual Investors

While institutional investors make up a larger portion of the global SRI assets, survey data from Ipsos Reid shows that millennials are twice as likely as baby boomers to be interested in investments dedicated to solving social or environmental problems.⁹ In fact, millennials are 65% more likely than baby boomers to consider ESG factors when making investment decisions.⁹

⁶Source: 2022 Canadian RI Trends Report, as at December 31, 2021.

⁷Source: <https://www.benefitscanada.com/investments/strategies/pension-fund-assets-make-up-75-of-responsible-investing-in-canada-report-93349>

⁸Source: <https://www.otpp.com/investments/responsible-investing/our-principled-approach>

⁹Source: Millennials, Women and the Future of Responsible Investing, Responsible Investment Association, as at April 2016

THE CASE FOR SOCIALLY RESPONSIBLE INVESTING

Cost

Some people think that when companies invest in their communities and pursue higher ethical standards, it's just an added cost. But that's not necessarily true – companies that focus on ESG issues can achieve reduced costs, improved productivity from employees, mitigated risk while creating revenue-generating opportunities.¹⁰ Evidence suggests that even regulators will levy smaller fines on companies perceived to be more responsible.¹¹

The Value of ESG

ESG issues are all-encompassing, including workplace safety and diversity, climate change impacts and human rights. A strategy that integrates ESG provides a competitive advantage both in the marketplace and among institutional investors.¹²

Going beyond short-term quarterly pressures, ESG can create value in the long term. One study found that long-term equity investors would have benefitted from ESG investing due to mitigated price and earnings risk, avoiding 90% of bankruptcies analyzed between 2002 to 2015.¹²

Potential Future Opportunities

Specific SRI strategies may also provide the opportunity for growth alongside technological innovation. With the development and adoption of technologies designed to alleviate environmental and social issues, investing in the companies providing these progressive solutions could potentially provide an opportunity to achieve a positive return and impact.

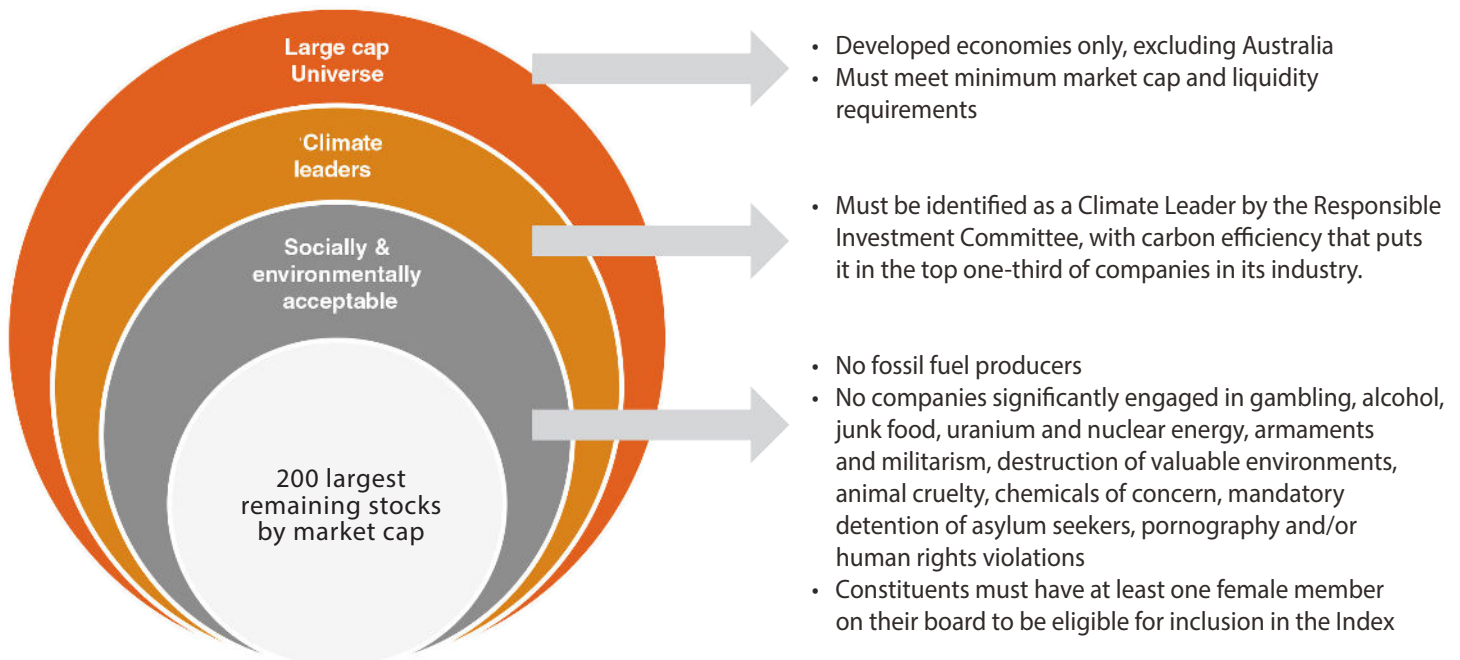
¹⁰Source: https://www.spglobal.com/_assets/documents/ratings/the-esg-advantage-exploring-links-to-corporate-financial-performance-april-8-2019.pdf

¹¹Source: <https://hbr.org/2015/06/do-regulators-go-easier-on-socially-responsible-firms>

¹²Source: <https://assets.kpmg/content/dam/kpmg/lu/pdf/lu-en-esg-strategy-framework-for-board-oversight.pdf>

THE SCREENING PROCESS FOR ETHI¹³

Traditionally, global ethical and SRI investment funds available to Canadian investors have been largely focused on small and mid-cap stocks, often with significant overweights. Construction of a portfolio like this can lead to tracking errors relative to global indices and heavy reliance on the ability of fund managers to pick correct holdings.



¹³The Responsible Investment Committee is an external advisory committee responsible for determining the list of securities that pass the “Climate Leader” and responsible investment screens outlined above. A company exposed to significant SRI-related reputational risk or controversy may also be excluded where the Responsible Investment Committee considers that its inclusion would be inconsistent with the values of the Index.

WHY CONSIDER INVESTING IN ETHI?

With ETHI, investors can gain exposure to a diversified collection of large-cap global companies that are leaders in environmental sustainability practices. ETHI's Index utilizes a rigorous screening process that selects and ensures that its constituents have a carbon efficiency that puts them in the top one-third of companies in their respective industries. Many of ETHI's Index constituents have pioneered new environmental practices and standards within their sectors.

While some other ETFs in Canada provide access to environmentally focused fund mandates, ETHI's Index utilizes additional screens that restrict exposure to industries not considered "responsible investments", ensures this ETF's constituents are not only sustainability leaders but also social and environmental exemplars. As well, with the addition of the gender diversity screen, which requires at least one female member as part of a company's board to the methodology, ETHI is now even more comprehensive in its commitment to socially responsible leadership.

ETHI has also been approved for inclusion in the Responsible Investment Association ("RIA") Responsible Investment Marketplace, which is a digital hub designed for investors and advisors to access information about responsible investing products available in Canada. ETHI's investment mandate and objectives were investigated by the RIA through a comprehensive review and deemed to be aligned with the principles of SRI.

THE POTENTIAL TO PROFIT FROM YOUR PRINCIPLES

What does it mean to be a good corporate citizen? As the size and role of companies grow, people across the world are becoming more aware of the effects their operations and presence have on our planet. Growing concern about the effects of climate change has galvanized many investors to seek ways to support businesses, initiatives and technologies that can help preserve and heal our environment.

We launched ETHI to give Canadians the chance to invest in a basket of companies that are leading the way today and for a better future. The Index's rigorous screening methodology ensures that our ETF only includes those that are making a difference and paving the way to a healthier world. ETHI also ensures that principle doesn't mean investors have to sacrifice other values through exposure to problematic industries.

MEMBER OF THE RESPONSIBLE INVESTING ASSOCIATION



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HORIZONS ETFs
by Mirae Asset

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