

Responsible Investment Report 2021

Small Cap Equities are
our focus and passion



Introduction

As stewards of our clients' capital, Global Alpha recognizes its duty to act in the best long term interests of its clients. In this role, Global Alpha is committed to continue enhancing its approach to responsible investment (RI) as we believe companies that operate with sound environmental, social, and governance (ESG) practices provide better investment opportunities. Not only are ESG factors integrated into our ongoing bottom-up research, we also remain committed to engaging with our holdings and supporting them on their ESG journeys.

In 2021, there was increasing appetite for ESG disclosure. With many regulatory changes on the way, we are committed to engaging with our holdings and supporting them on their ESG journeys for the greater benefit of society. In addition to our efforts embedded in our investment process, we continue to look for ways to improve our own impact as a firm.

In this Responsible Investment Report, we are pleased to share highlights and progress regarding our ESG practices over the last year.

Our 2021 initiatives include:

- Hiring a dedicated ESG analyst to further support Global Alpha's ESG integration.
- Conducting more thorough engagements with holdings regarding climate disclosure and emission reduction plans.
- Continuing to be active in our proxy voting efforts and speaking with company management regarding our views on best practices with regard to governance.
- Updating our ESG questionnaire, which goes out to new approved companies, as well as existing holdings in order to gather more information from them and improve reporting.
- Offsetting our carbon emissions resulting from business travel.
- Conducting a firm assessment of operational emissions (ongoing).
- Revising our proxy voting and remuneration guidelines.

Updates and Latest News

Global Alpha's Dedicated ESG Analyst

In September 2021, Global Alpha welcomed dedicated ESG Analyst, Elisabeth Lekhtman, to the team. This is an important development in the continuing enhancement of our ESG capabilities and will allow for even greater in-depth analysis of the ESG risks and opportunities for each of our current and prospective holdings.

Before joining Global Alpha, Elisabeth began her career as an Associate with RBC Dominion Securities. Most recently, she worked as an Associate at Research Capital Corporation in the Fixed Income Sales and Trading division where she was responsible for creating financial models, developing trading strategies, and initiating green bond offerings for clients. Elisabeth received her Bachelor of Finance in International Business from Concordia University and is expected to earn her Masters of Environmental Assessment from Concordia University in 2023. The knowledge she has gained and continues to gain from her Master's program will help with the continuous improvement and integration of ESG into Global Alpha's investment process.



What stood out to me about Global Alpha's approach to ESG was the team's holistic way of integrating these factors into the investment process. It really struck me that the team has been incorporating environmental, social and governance factors into the investment analysis for over a decade now. I am looking forward contributing to Global Alpha's evolving responsible investing journey.

Elisabeth Lekhtman, ESG Analyst

Remuneration Guidelines

Global Alpha finalized updates to our Executive and Director Remuneration guidelines. We have updated our guidelines to consider voting against the members of the compensation committee and say-on-pay proposals (if applicable) when the company does not have a clawback provision to allow the recoup of compensation paid in the event of financial restatements or misconduct, when CEO pensionable income exceeds 10% of total pay, if the company policy allows for gross-ups, single trigger change in control, guaranteed multi-year awards or automatic vesting of equity compensation or non-executive director pay is above USD \$80,000 per year. At Global Alpha we believe that there is an element of public service in a corporate directorship and that many companies pay packages for non-executive directors are excessive. For a comprehensive overview of our guidelines please visit our website: [Remuneration Guidelines - April 2022 \(cclgroup.com\)](https://www.cclgroup.com/remuneration-guidelines-april-2022)

Finally, we updated our proxy voting guidelines, which are discussed on the next page.

Proxy Voting Guidelines

The central tenet of our proxy voting policy is that good corporate governance enhances long-term shareholder value. Global Alpha utilizes the global proxy voting research and voting services of Institutional Shareholder Services (ISS) to help vote and assess proxies in line with our custom voting guidelines.

In conjunction with the updates to our remuneration guidelines, we also updated our policy to generally withhold votes from directors deemed responsible for climate risk if a company has not established appropriate climate risk oversight or disclosure. As supporters of the Task Force on Climate-related Financial Disclosures (TCFD) we feel this is an important way we, as investors, can encourage companies to address the risks posed by climate change.

Historically, at Global Alpha, we have voted against the chair of the nomination committee when a board lacked at least one female director. We felt that in order to remain at the forefront of governance best practices, our policy should be revised to vote against the chair of a nomination committee when female board representation is less than 30%. At this stage, this policy will be applied in the United States, Canada, Continental Europe, the United Kingdom, Ireland, Australia, and New Zealand. Global Alpha supports the appointment of qualified directors with diverse backgrounds and believes that a minimum of 30% female board representation reflects best practice in these markets. At this stage, we will continue to apply the minimum one female director standard in other markets, particularly emerging markets and Japan. We will continue to engage with companies in these markets to drive more diverse and inclusive boards.

In order to maintain an effectively functioning board with enough capacity to fully meet the demands of the board and committees, Global Alpha believes that the board's size should not be too large. As such, Global Alpha will vote against the chair and members of the nomination committee when the board exceeds 10 directors.

Some of the most notable changes we have made in our guidelines include:

10

Limiting the number of board members

30%

Increasing required female board representation

Climate risk oversight

Implementation of new voting guidelines

Active Ownership

More Transparency

With respect to more transparent reporting, Global Alpha revamped its ESG questionnaire that is sent to companies, once they are approved for potential inclusion in our funds. The questionnaire requests ESG-related information from issuers such as whether they align with any of the Sustainable Development Goals (SDG), report based on the TCFD, are members of an ESG-related index, disclose their CO₂ emissions, have made net-zero commitments and more.

The new web-based questionnaire will enable our team to gather additional information on companies ESG practices and centralize this data for more robust analysis. We look forward to sharing this data in future iterations of our Responsible Investment Report.

Annual PRI Assessment Score

In Global Alpha's inaugural Responsible Investment report published in 2021, we shared our scores from the United Nations Principles for Responsible Investment (PRI) assessment of our reporting. Due to challenges with new reporting tool, the PRI announced a delay in releasing signatories 2021 public transparency and assessment reports. The PRI intends to provide signatories assessments later in 2022 and we look forward to sharing these results.

Engagement Efforts

Our goal is to track impact and measure the positive outcomes we wish to accomplish by collaborating with our holdings.

Global Alpha held numerous engagements throughout the year where the discussions focused solely on ESG factors. In particular, Global Alpha highlighted several environmental and social disclosure frameworks, such as the TCFD and Sustainability Accounting Standards Board (SASB), and encouraged companies to utilize these to guide their ESG-related reporting. The team will continue to support companies on their individual ESG journeys and offer advice and assistance on ESG-related disclosure frameworks where appropriate, especially given the increasing likelihood of mandatory reporting requirements by securities commissions.

Global Alpha recognizes that robust measurement and tracking of companies' ESG performance will aid in our ability to measure the real world outcomes. As such, Global Alpha has become more systematic in its tracking of ESG topics discussed with companies and we look forward to providing more transparency going forward.

Since the addition of our dedicated ESG Analyst, Global Alpha has held five engagement calls specifically related to climate disclosure. Please see an example of one of those engagements on the following page. This was a call we held with Caesarstone, a global quartz slab manufacturer, regarding their inaugural ESG report.



Caesarstone is a manufacturer of quartz slabs for various uses such as kitchen and bathroom counters and backsplashes. The company primarily caters to the residential market operating out of five direct distribution facilities located in Canada, United States, Australia, Israel, and Singapore. The company has a total of three manufacturing facilities, two of which are located in Israel and the other in the United States.

In November 2021, the team held a call with Caesarstone LTD to give them feedback on their inaugural ESG report. Upon analyzing the company's new report, we were able to offer feedback on areas of improvement in future reporting. As with many small cap companies, we think the first iteration of the ESG report is an exercise of getting everything down on paper. The company had several initiatives which we found to be very positive such as a water recycling program and resource reduction plans within their manufacturing process. However, in some aspects, we felt that the company could benefit from further guidance. Our recommendations included the following:

Supply Chain

Issue: Caesarstone's supply chain is complex, and as a result, keeping track of their suppliers is a time consuming task. The company has many suppliers with which they conduct annual audits and some with which they conduct audits every couple of years. By better understanding how the company keeps track of their suppliers' operations, we could more assess their environmental or social practices and identify if they are harmful.

Recommendation: Publishing the results from their audits would show progress over time. From this exercise, they would also be able to illustrate how they deal with riskier suppliers that may have breached the code of conduct. This would also provide the opportunity to engage with suppliers to gather insights on their GHG emissions, helping them report a more accurate carbon footprint.

Scope 3 GHG emissions

Issue: In terms of GHG emissions, Caesarstone was able to report on their Scope 1 and 2 emissions but mentioned that they were not planning to report their Scope 3 emissions in the near term given the fact that their suppliers had low emissions.

Recommendation: Scope 3 emissions are important indicator to report on given the nature of their operations. In general, manufacturing companies have higher Scope 3 footprints, which would typically account for about 70-90% of their total footprint. The company received the feedback positively and agreed to consider this for future emissions calculations.

TCFD Reporting Framework

Issue: Caesarstone was not familiar with the TCFD reporting framework or the importance of having a climate risk mitigation plan.

Recommendation: We advised that having a climate risk mitigation plan would allow them to assess internal weaknesses and opportunities for the business. Given the global nature of their facilities, it would be important to evaluate climate resilience at these various locations especially with the rise of extreme weather events.

The call was well received by management. They were thankful that we took the time to provide feedback and will try and implement the suggestions in the upcoming reports. We will monitor the company's progress and further engage with them with respect to their ESG practice.

Proxy Voting Statistics

As responsible investors, we exercise our voting rights in alignment with our customized and comprehensive proxy voting guidelines. Global Alpha will engage with companies any time we are considering voting against the recommendations of management, as we believe this provides more awareness of our stewardship concerns and priorities to boards.

We are pleased to share the following highlights and examples of our proxy voting activity from 2021.

Votes by region

18% APAC

56% EMEA

26% Other

CASE STUDIES

RAFFLES MEDICAL GROUP

Raffles Medical Group is a leading regional integrated healthcare group with primary care, inpatient care and specialist care. The Group was the first in Asia to join the Mayo Clinic Care Network.

In spring 2021, Global Alpha engaged with the company regarding their upcoming annual meeting. Global Alpha noted that director Dr. Sarah Lu, an insider, served as a member of the nomination and compensation committee. Global Alpha raised that this could create a conflict of interest and best practices preclude insiders from serving on key committees.

Outcomes: Raffles Medical Group was very open to receiving feedback from Global Alpha and following the engagement call, on December 31, 2021, Dr. Sarah Lu resigned from her committee memberships.

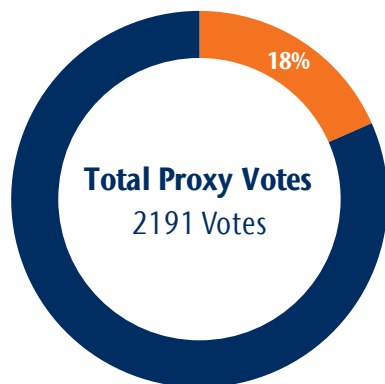
ADVANCE RESIDENCE INVESTMENT CORP

Advanced Residence Investment Corp holds the largest portfolio among residential J-REITS with over 250 properties located in Japan nationwide.

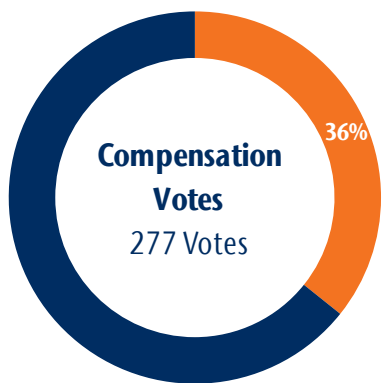
In October 2021, Global Alpha engaged with the company regarding gender diversity and board independence. The board did not include any female directors, so we communicated our policy regarding board diversity. In addition, one of the supervisory directors was previously employed at the company's audit firm, which could potentially compromise their independence.

Outcomes: The company felt that sufficient time has passed since his resignation at the audit firm; however, we shared our decision to vote against the directors election, as we follow strict independence guidelines. In addition, Global Alpha shared its decision to vote against the nominee due to the insufficient gender diversity.

Proxy voting details



■ Votes against management ■ Votes with management



■ Votes against management ■ Votes with management

2021 AGM Proposals

At Global Alpha, we believe in being active owners of the companies in which we invest. In 2021, Global Alpha voted in a total of 2191 proposals and voted against management’s recommendations on 18% of these resolutions. Details about the proposals we voted against are summarized in the table below.

As illustrated by the Raffles Medical Group and Advanced Residence Investment Corporation proxy voting case studies, by not only voting against management but also having open dialogue with companies, we hope to see positive changes following the votes.

Global Alpha takes a strong stance with respect to executive remuneration. We feel that trends in C-suite employees’ compensation has, particularly in recent years, risen to an unreasonable state. As such, in 2021, we voted against 36% of compensation related proposals.

Proposal Category	Votes Against Management	% Against Management	Votes Against ISS	% Against ISS	Total No. of proposals
Antitakeover Related	1	5%	0	0%	20
Capitalization	50	26%	7	4%	189
Directors Related	231	19%	171	14%	1189
Miscellaneous	1	25%	0	0%	4
Compensation Related	99	36%	57	21%	277
Reorganizations and Mergers	4	12%	3	9%	34
Routine/Business	17	4%	3	1%	458
Shareholder Proposal - Corporate Governance	0	0%	0	0%	1
Shareholder Proposal - Directors Related	0	0%	0	0%	18
Shareholder Proposal - Social/Human Rights	0	0%	0	0%	1
Grand Total	403	18%	241	11%	2191

Focus on Climate

Carbon Offsetting

In 2021, Global Alpha offset all emissions associated with annual flights for corporate travel and is committed to continuing on this course. We aim to minimize unnecessary flights, organize meetings by region, fly economy, and conduct virtual meetings whenever possible.

We are offsetting corporate travel emissions with Ostrom Climate Solutions, Canada's leading carbon management solutions provider. We have offset emissions associated with our flight travel by contributing to projects that prevent the equivalent amount of emissions elsewhere. We are working towards achieving the Offsetters Climate Friendly status, which is a designation for organizations who have made significant reductions and/or offset material emissions source(s).

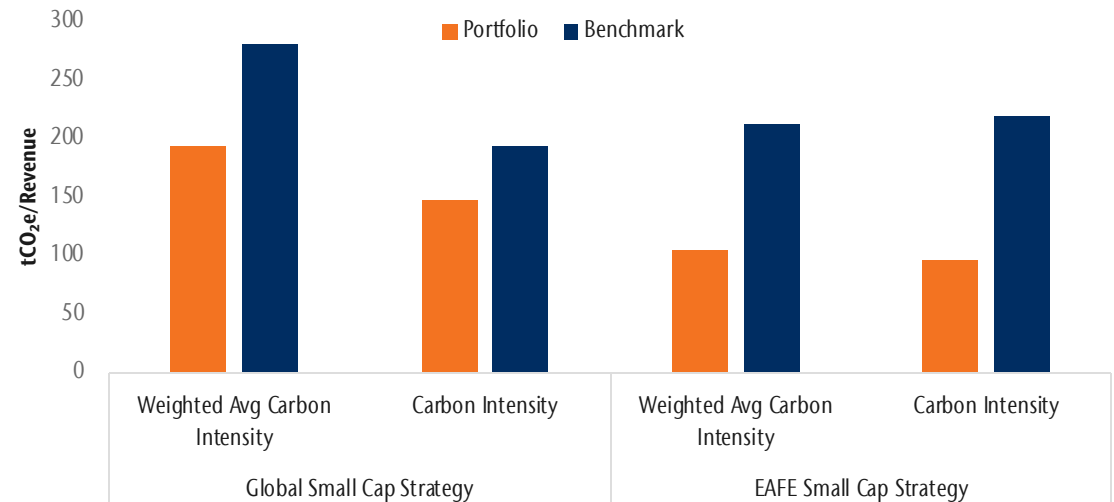
Offsetters' projects are verified and validated by third parties to ensure that the emission reductions are real, additional, and permanent. The project that we are supporting is The Darkwoods Forest Carbon Project. Along with the climate benefits it provides, it is an improved forest management project, protecting important wildlife such as Grizzly Bears and Mountain Caribou. We're proud to do business while taking action on climate change. *#WeAreOffsetters*

Portfolio Carbon Footprint

As supporters of the TCFD, Global Alpha is committed to measuring and disclosing the carbon footprint of our core strategies on a quarterly basis. We utilize ISS' Climate Impact Assessment tool in order to measure our portfolios exposure to climate-related risks.

We are proud to share that in 2021, our portfolios outperformed the benchmark in terms of its carbon footprint. Global Alpha believes that its investment in high quality, industry leaders has contributed to its outperformance over the years.

One of the noticeable improvements was seen in the Global Fund, which had a weighted average carbon intensity (WACI) 20% higher than the benchmark at December 2020, and has improved to be 31% lower than benchmark at December 2021. Our EAFE strategy was 50% and 56% lower than the benchmark in terms of WACI and carbon intensity respectively in 2021.



Corporate Social Responsibility



Week of Giving: Environmentally Focused

As an affiliate of Connor, Clark & Lunn Financial Group, Global Alpha has participated in the hosting of an annual United Way charitable campaign. In response to feedback from staff, this campaign was broadened in 2021 to include three additional environmental charities in addition to the United Way. The campaign hosted events to drive engagement and allowed staff to donate to the charities via a simple online platform. In addition to the United Way, staff were able to donate to the environmentally focused organizations: the Nature Conservancy of Canada, the Canadian Parks and Wilderness Society (CPAWS) and Ecotrust Canada.

- The Nature Conservancy of Canada is Canada's largest national land conservation organization. Since 1962 they have helped to protect 35 million acres of land across the country.
- The Canadian Parks and Wilderness Society or CPAWS is a grassroots organization active across Canada dedicated to the protection of public land, freshwater and oceans to conserve nature in response to the dual crises of accelerated biodiversity loss and climate change.
- Ecotrust Canada works with rural, remote and indigenous communities towards building an economy that provides for a healthy and resilient natural environment, sustainable and abundant energy, food, housing and prosperous, meaningful livelihoods.

We are extremely proud that across CC&L Financial Group our staff raised over half a million dollars to support these four organizations.

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