TCFD REPORT

GLOBAL ALPHA CAPITAL MANAGEMENT LTD.

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INTRODUCTION

As a supporter of the Task Force on Climate-related Financial Disclosure (TCFD) Global Alpha Capital Management (GACM) is committed to disclosing its approach to identifying, assessing, and managing climate-related risk in its investments on behalf of clients.

GOVERNANCE

As an investment manager, climate-related risks and opportunities pertain mainly to Global Alpha's investments and, as such, are primarily the responsibility of the investment team with ultimate responsibility for management and oversight sitting with the Chief Investment Officer. Global Alpha has two dedicated sustainability analysts who support the investment team with climate-related risk analyses and engage with investee companies on climate-related topics.

GACM also established an ESG Committee to provide governance over sustainability across the firm and its investment practices. This committee meets on a bi-annual basis to discuss trends, processes and developments related to responsible investing. It provides oversight and recommendations on ESG-related themes, including climate-related risks. The committee consists of seven members, including three members of GACM's management committee, therefore climate risk management is reported to the board of directors. Key carbon metrics at the portfolio level are also reported to the management committee on a quarterly basis.

STRATEGY

Global Alpha recognizes its climate responsibility as encompassing both the identification of climate-related risks across its operations and investment portfolio, and the proactive pursuit of climate-related opportunities with investee companies.

Climate-related risks are addressed in GACM's investment strategy via in-house ESG scoring guidelines, which are fully integrated into the investment process. The team collects raw ESG data on a company's activities and products through company websites, reports, meetings with management and third-party vendors. Each prospective holding is assigned a score in five areas: Sustainability Reporting, Environmental (E), Social (S) and Governance (G) and Business Model and Leadership. These individual scores are combined to establish an issuer's overall score, which must meet a minimum standard for inclusion in the portfolio. Climate-risks are primarily included in the E score and are assessed based on the level and evolution of greenhouse gas emissions disclosure, the presence of a climate commitment or emissions reduction target as well as initiatives in place to reduce emissions and ensure mitigation of climate-related risks. Global Alpha also evaluates whether the company's products are environmentally friendly and contribute to the transition towards a low-carbon economy. Further details regarding the general scoring methodology are available upon request. The ESG score is then incorporated into the valuation process via an adjustment of the discount rate. A high ESG score indicates lower ESG risk, thus companies with higher ESG scores are valued using a lower weighted average cost of capital (WACC). Companies with lower scores, and thus higher ESG risk, are valued using a higher WACC. In this way, ESG risks, including climate-related risk, are directly factored into GACM's valuation of each security.

Additionally, GACM views climate change as an important general consideration as its investment universe presents many opportunities related to energy transition. GACM recognizes the importance of seizing such opportunities as well as to engage with investee companies to capitalize on them. As a bottom-up fundamental investor, GACM does not typically use top-down scenario analysis, however, they will consider doing so in future as data availability, accuracy and the level of uncertainty associated with modelling future corporate emissions improve, particularly in the small cap asset class.

Global Alpha also identified its most material transition risks, which include market, reputational, policy and legal risks, mostly associated with changing consumer behavior, increased stakeholder concern, as well as enhanced emissions-reporting obligations and regulation of existing products.

Transition risks identified as material for Global Alpha Capital Management

Climate risk/opportunity	Change	What Global Alpha is doing to reduce the risks	Time of occurrence
Policy and Legal risks	Enhanced ESG and climate-reporting obligations for companies and asset managers alike, which could lead to increased disclosure requiring additional resources.	• Engaging with investee companies to increase ESG disclosures. • Using ISS to calculate the carbon footprint of its portfolio on a quarterly basis. • Calculating emissions from business travels annually. • CC&L recently undertook an analysis of GHG emissions (scopes 1, 2, 3) at the group level, including associate emissions.	Short-term
Market risks	Shift in consumer preferences may lead businesses to adapt and change their business model.	• Investing in companies aligned with carefully selected investment themes and with strong growth potential. • Engaging with companies with regards to ESG risks within their business models.	Medium-term
Reputational risks	Shifts in consumer preferences, increased stakeholder concern and stigmatization of certain sectors can lead to reduced revenue from decreased demand for specific products. Increased greenwashing claims and disclosure regulations can increase risk.	• Diversifying the product offering. • Ensuring communication is as transparent and accurate as possible.	Short-term
Market opportunity	Shifting in consumer preference can open access to new markets for investment products.	• Engaging with customers to collect feedback and trends. • Monitoring new trends in the industry. • Diversifying the product offering.	Medium-term

RISK MANAGEMENT

Physical and transition risks of investee companies related to climate change are considered in GACM's in-house ESG scoring. Where applicable, GACM also addresses risks and opportunities associated with a particular issuer in stock pitch meetings. As a long-term investor, GACM considers risk present across various time horizons. They generally consider short-term to refer to periods less than two years, medium term to refer to periods of two to four years and long term refers to periods of five years or longer. While they believe that the risks associated with climate change, including physical risks or transition risks such as regulatory change, technological change and changing consumer preferences are more likely to be material over longer time horizons, these risks may still be present in the short term, depending on the sector. As noted above in the Strategy section, ESG risks, including climate-related risk, are factored into the investment process using adjustments to the discount rate used for valuation.

In addition, GACM seeks to proactively manage ESG risk, including climate-related risk, via engagement and proxy voting. GACM's direct engagement with issuers involves regular meetings, site visits and calls between the investment team and company management. GACM frequently uses these engagements to encourage companies to better address ESG risk and improve disclosure. GACM additionally seeks dialogue with company management whenever considering casting proxy votes against management recommendations. With respect to engagement and proxy voting, the team at GACM also receives support from the dedicated Stewardship & Engagement (S&E) team at Connor, Clark & Lunn Financial Group. For further details regarding GACM's engagement and proxy voting please refer to the Responsible Investment Policy and Proxy Voting Policy.

METRICS AND TARGETS

GACM measures the carbon footprint of its core strategies quarterly. The full reports are made publicly available on the firm's website. While it does not set formal targets, at the portfolio and holding level, Global Alpha primarily considers Relative Carbon Footprint and Carbon Intensity. These metrics are also a factor in the in-house ESG scoring methodology described above in the Strategy section.

The ESG Committee will review the risks and opportunities related to climate change on an annual basis and revise the report for material changes.