TCFD-ALIGNED REPORTING

April 2021

INTRODUCTION

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

GOVERNANCE

GACM has implemented a robust responsible investment policy and process for integrating Environmental, Social and Governance (ESG) risks and opportunities into investment decision-making. As an investment manager climate-related risks and opportunities pertain to our investments and, as such, are primarily the responsibility of our investment team with ultimate responsibility for management and oversight sitting with the Chief Investment Officer. GACM's management committee, which fulfills the role of a board, provides additional oversight as needed. Key metrics at the portfolio level are reported to the management committee on a quarterly basis.

STRATEGY

Climate-related risk is addressed in GACM's investment strategy via our in-house ESG scoring guidelines. As small cap equity is often an under-researched asset class, sell-side analysts and third party vendors (ex. MSCI, Sustainalytics) often provide limited coverage. As such, GACM has developed and implemented an in-house scoring methodology which is fully integrated into the investment process.

We collect raw ESG data on a company's activities and products through company websites, reports, meetings with management and third party vendors. After we add a company to our approved list, an internally designed ESG questionnaire is to be answered by the company and reviewed by the team member in charge. This data is reviewed at least once per year. Each prospective holding is assigned a score in five areas: sustainability reporting, Environmental (E), Social (S) and Governance (G) and Recognition (i.e. whether a company has been included in an ESG Index or has won ESG-related awards). These individual scores are combined to establish an issuer's overall score, which must meet a minimum standard for inclusion in the portfolio. Climate-risk, where material, is primarily included in the E score, where the assessed criteria includes CO_2 emissions disclosure, natural resource use disclosure (energy, water, land, raw materials), waste management, whether the company's products are environmentally friendly, and general corporate practices such as use of green buildings. Further details regarding the general scoring methodology is available upon request.

The ESG score is then incorporated into the valuation process via 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 our investment universe presents many opportunities related to energy transition.

As a bottom-up fundamental investor, GACM does not typically use top-down scenario analysis, however we 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.

RISK MANAGEMENT

Physical and transition risks 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. We 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 we 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 our 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 our Responsible Investment Policy and Proxy Voting Policy.

METRICS AND TARGETS

GACM measures the carbon footprint of our core strategies on a quarterly basis. The full reports are made publically available on our website. While we do not set formal targets, at the portfolio and holding level, we primarily consider Relative Carbon Footprint and Carbon Intensity. These metrics are also a factor in our in-house ESG scoring methodology described above in the Strategy section.

CONCLUSION

GACM believes strongly that companies with robust ESG policies and practices are more able to effectively manage ESG risks and opportunities, including climate-risk, and are therefore more likely to outperform those without. As such, ESG considerations, in particular those related to climate change, are an important part of our investment process.