



Responsible Investment Report 2022

Small Cap Equities are
our focus and passion



Introduction

2022 was a significant year for the responsible investing (RI) space, with world leaders gathered in Montreal for the 15th Conference of Parties (COP 15), geopolitical conflicts, heightened sustainability regulations, to name a few notable events. These factors have direct implications for those who employ responsible investing strategies.

Global Alpha's Annual Responsible Investing Report is an important way that our firm can highlight the ways in which it considers Environmental, Social, and Governance (ESG) factors in the investment process.

We hope you find this report useful in learning more about Global Alpha's approach and recent efforts with regards to RI.

Our 2022 initiatives include:

- Enhancing our tracking and reporting of proxy voting engagements
- Advocating for the establishment of Quebec as a leader in sustainable finance in North America by signing the statement by the Quebec Financial Centre
- Attending COP15 and supporting the call for the adoption of an ambitious Global Biodiversity Framework
- Collaborating with Æquo on strengthening our shareholder engagement process

Collaboration

Finance Montreal Declaration promoting Quebec as a Financial Center for Sustainable Investing

Global Alpha became a signatory to the statement by the Quebec Financial Centre for Sustainable Finance, supporting the objective of strengthening the sustainable finance ecosystem and positioning the province of Quebec as a leader in sustainable finance in North America.

"By becoming a signatory to the Declaration, Global Alpha is committed to supporting the local development of sustainable finance products and services.

We strive to monitor and lead best practice initiatives and frameworks that help us better understand the risks and opportunities of our investments. It is by addressing sustainability imperatives that we will truly be able to generate attractive risk-adjusted returns for our clients."

Robert Beauregard, Chief Investment Officer



ESG Integration

Global Alpha believes that environmental, social and governance issues are risk factors that can have a material impact on investment performance. The firm supports the concept that companies can enhance value and long-term profitability by managing environmental, social and governance risks within their organizations.

As part of our ongoing bottom-up research, we use an internally designed methodology to integrate consideration of ESG factors into our investment process as a risk management approach.



Quality analysis

- Revenue growth, profitability and balance sheet



Investment themes

- Consumer
- Demographics
- Sustainability
- Innovation
- Globalization Rewired



Fundamental analysis

- **ESG Factor and risk assessment – ESG Score**
- Target market, competitive advantage, growth strategy



Valuation

- Discounted Cash Flow method
- **High ESG Score – Lower risk Discount rate adjustment**

15th Conference of Parties

In December, Global Alpha had the opportunity to attend COP 15 also known as the UN Biodiversity Conference. It was a chance to hear government, corporates, NGOs and many other stakeholders address the importance of nature and the value it brings to all of us. It is a critical time for nature as human activities continue to exert negative pressures on our ecosystems.

Speakers reiterated the fact that most economic activities depend on nature; however, asset prices and market values do not account for the dependence on nature due to the challenges to measure and quantify such risks. Many underscored the degree to which climate and nature are interrelated and that we cannot account for one without accounting for the other.

Attendees of the conference heard from the chair of the International Sustainability Standards Board (ISSB), Emmanuel Fabre, who stated that the ISSB will continue to build from their current climate framework and further integrate issues surrounding natural ecosystems, deforestation, water, biodiversity and the just transition. They will leverage work from the Task Force for Nature-Related Financial Disclosures (TNFD) and other initiatives to incorporate the materiality as it relates to economic and financial decisions.

In his speech, Mark Carney, United Nations' Special Envoy on Climate Action and Finance and co-Chair of Glasgow Financial Alliance for Net Zero (GFANZ), discussed the need to further develop and scale the voluntary carbon markets. He explained that the voluntary markets can help finance protection and restoration of nature. He highlighted four priorities to reduce carbon and protect nature: the need to promote high-integrity credit supply, ensure high-ambition paths to net zero, scale high-integrity demand for high quality carbon credits, and explore potential for biodiversity credits.

As stated by many speakers at the conference, voluntary carbon markets provide a powerful tool for mitigating climate change and its impacts on nature by reducing emissions, supporting conservation efforts, and providing financial incentives for sustainable land use practices.

COP 15 Statement

In light of COP 15, Global Alpha became a signatory of the PRI's COP15 Statement. We feel that it is important to start the dialogue with our holdings and ensure that they become aware of their impacts on nature. We understand that there is a need to speed up action for the protection of nature and want to ensure we are contributing to the move in the positive direction.

The COP15 Statement from the Private Financial Sector is a global initiative that calls for governments to adopt a clear policy mandate that makes alignment of financial activities to biodiversity goals mandatory for financial institutions.

As a signatory of the COP15 Statement, we call for the adoption of an ambitious Global Biodiversity Framework at COP 15 in Montréal. We also call for coordinated action by governments to tackle climate change and biodiversity loss to ensure synergies are taken advantage of and trade-offs are properly managed.

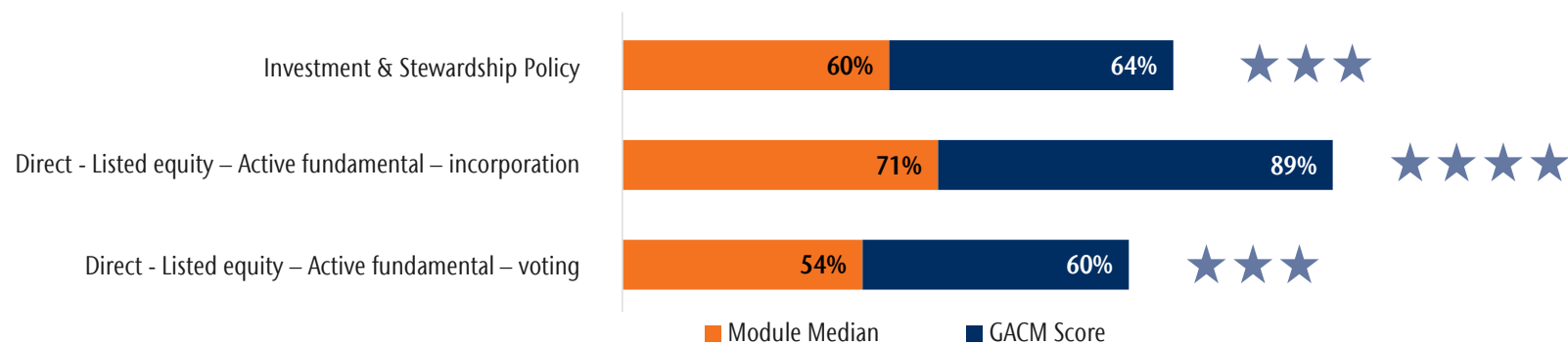
Having signed the COP 15 Statement from the Private Financial Sector, Global Alpha is committed to working as part of a wider ecosystem of actors to halt and reverse nature loss. We have started engaging with investee companies with respect to biodiversity actions and initiatives addressing emerging global challenges to biodiversity and nature and will continue to do so going forward.



Active Ownership

PRI Assessment Results

We are pleased to share Global Alpha's 2021 PRI Assessment score. Please note that the scorecard is calculated according to the PRI's assessment methodology, which converts indicator scores to an aggregate module score using a points-based system ranging from 0-100. Scores from the 2021 reporting cycle cannot be compared to the letter grade scores from previous years, as the PRI has since launched a new reporting framework and assessment methodology. A copy of the 2021 PRI Assessment is available upon request



Proxy Voting*

Proxy voting is a key component of how Global Alpha demonstrates its commitment to active ownership and ensures that companies are addressing the expectations of shareholders. As such, its own proxy voting guidelines are designed to promote global good governance practices and encourage company management to address ESG risks.

Global Alpha has continuously enhanced its approach to addressing ESG risks. In 2022, Global Alpha updated its proxy voting guidelines to increase focus on compensation, gender diversity, board structure, and climate risk.

In 2022, Global Alpha voted on a total of 2,698 resolutions and voted against management's recommendations on 24% of these items, which was 33% higher than in 2021. As a global investor, Global Alpha cast votes in 35 markets, with 39% of Global Alpha's votes cast in the Europe, Middle East, and Africa (EMEA), 30% in Asia Pacific (APAC), 26% in North America (NA) and 5% in Latin America (LATAM).

30% APAC

26% NA

39% EMEA

5% LATAM

CASE STUDY



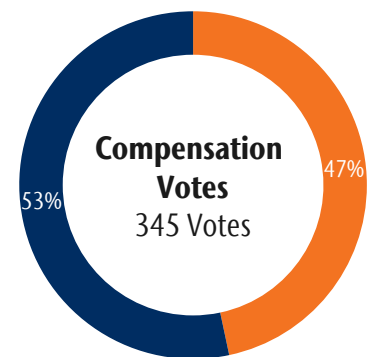
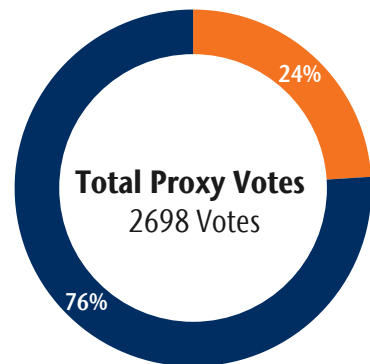
ATN International Inc

In June 2022, Global Alpha engaged with ATN International Inc (ATNI) to discuss the company's disclosure of climate-related risks, remuneration of non-executive directors and overboarding. During the call, Global Alpha shared its approach to proxy voting, including updates to its custom voting policy regarding compensation and gender diversity issues. We informed the company that two of the metrics we use to analyze compensation packages exceeded our threshold.

ATNI provided additional background regarding their compensation philosophy and noted upcoming changes to their approach which would result in one of the metrics falling within Global Alpha's guideline. On the topic of climate, the company shared various ESG-related initiatives, such as the creation of a sustainability council and programs aimed at mitigating the impacts of extreme weather events. Finally, although one director exceeded Global Alpha's overboarding guideline, the company stressed that the individual's ESG experience was highly valuable to the board. Global Alpha decided to vote in line with management and will follow up on their progress prior to the next AGM.

**The sections concerning proxy voting and the exercise of shareholder rights in this report are not applicable where clients retain proxy voting rights.*

Proxy Voting



■ Votes against management ■ Votes with management

As a result of its heightened expectations for issuers to adopt fair executive compensation packages, in 2022, Global Alpha voted against 47% of companies' compensation-related resolutions.

In its 2021 report, Global Alpha announced the addition of a non-executive director pay guideline, where it would consider voting against members of the compensation committee and say-on-pay proposals when the company had a non-executive director with pay exceeding USD \$80,000 per year. By applying this guideline, Global Alpha voted against resolutions due to excessive non-executive director compensation at 32% of the companies in which it was eligible to vote. At Global Alpha, using voting rights in conjunction with engagements provides companies with more insight into stewardship concerns and priorities.

Proposal Code Category	Votes Against Management	% Against Management	Votes Against ISS	% Votes Against ISS	Total No. of proposals
Antitakeover Related	2	14%	0	0%	14
Capitalization	39	21%	1	1%	183
Directors Related	416	30%	327	23%	1405
Miscellaneous	0	0%	0	0%	4
Compensation Related	161	47%	104	30%	342
Corporate Governance Related	24	8%	1	0%	287
Reorganizations and Mergers	5	19%	1	4%	27
Routine/Business	8	2%	1	0%	357
Shareholder Proposal - Corporate Governance	0	0%	0	0%	4
Shareholder Proposal-Directors Related	0	0%	13	38%	34
Shareholder Proposal-Compensation Related	0	0%	0	0%	3
Shareholder Proposal-Miscellaneous	2	25%	3	38%	8
Grand Total	657	24%	451	17%	2698

**source: ISS for the reporting period 01/01/2022-12/31/2022*

Engagement Highlights

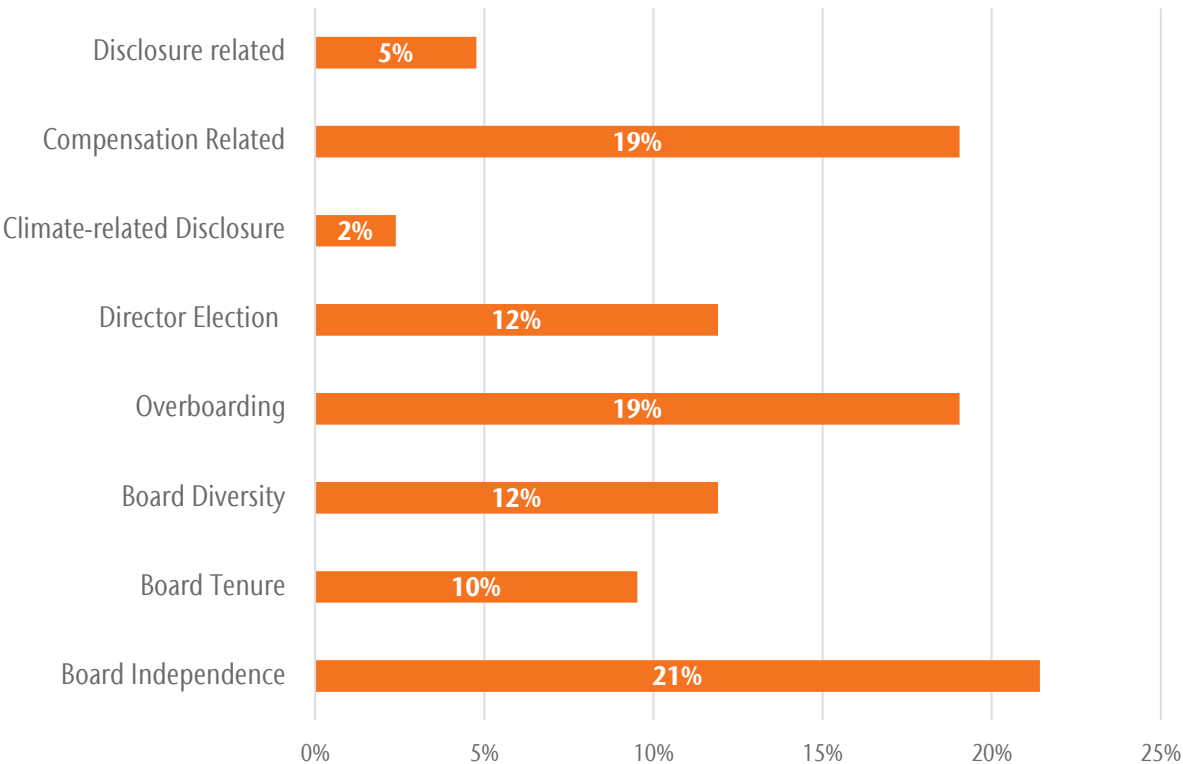
Direct engagement with issuers, particularly on ESG issues, remains an important component of Global Alpha’s active ownership program. Engagements with issuers may include in-person meetings, letters, emails, or calls with company leadership.

Over the last year, Global Alpha has worked diligently to enhance its tracking and measurement capabilities relating to the firm’s engagement activity. Global Alpha is pleased to share more robust highlights of engagement activity from 2022.

A component of Global Alpha’s engagement approach includes proactive dialogue with companies in cases where it is considering voting against management’s recommendation. In 2022, Global Alpha engaged with 42 companies prior to voting to discuss ESG-related concerns. As a result of these dialogues with companies, Global Alpha proceeded to vote against management in 63% of these engagements. In the 37% of cases where we elected to support management, Global Alpha considers factors such as voting history at the company, the company’s financial and non-financial performance and commitments for future progress.

42 Number of proxy-voting engagements

Proxy-related Engagements by Topic





motorcar parts of america, inc.

MPAA is a manufacturer, remanufacturer and distributor of automotive parts for the automotive aftermarket. The company has a significant share in the market for remanufactured starters/alternators. They currently operate remanufacturing facilities in California, Mexico and Malaysia. The company is one of our top ten highest contributors to portfolio emissions and a laggard with respect to ESG due to lack of disclosure and initiatives with respect to climate and social issues. It is important to note that they are one of the smaller companies in our portfolio as a measure of market cap, thereby limiting their availability of resources.

Engagement Example

We felt it was important to hold a call with MPAA to discuss our thoughts on their ESG performance and share some ways they could improve. The initial engagement call was held in March 2022. Global Alpha also shared its proxy voting guidelines, remuneration guidelines and responsible investing policy with the company.

SASB and TCFD Reporting

Global Alpha spoke to the company about the Sustainability Accounting Standards Board (SASB) materiality framework as a helpful starting point which they were aware of and were using for their reporting plans. As supporters of the Task Force on Climate-Related Financial Disclosure (TCFD), we encouraged the company to align their reporting with the recommendations, especially given the global nature of the company's operations, with several facilities located in higher risk areas.

Supply Chain

Additionally, the company provides limited disclosure regarding their supply chain policies and practices. We expressed to them that it has become increasingly important to monitor suppliers and their practices with respect to environmental and social performance. The company stated that they had signed on to a platform which would allow them to start tracking their suppliers.

Further Updates

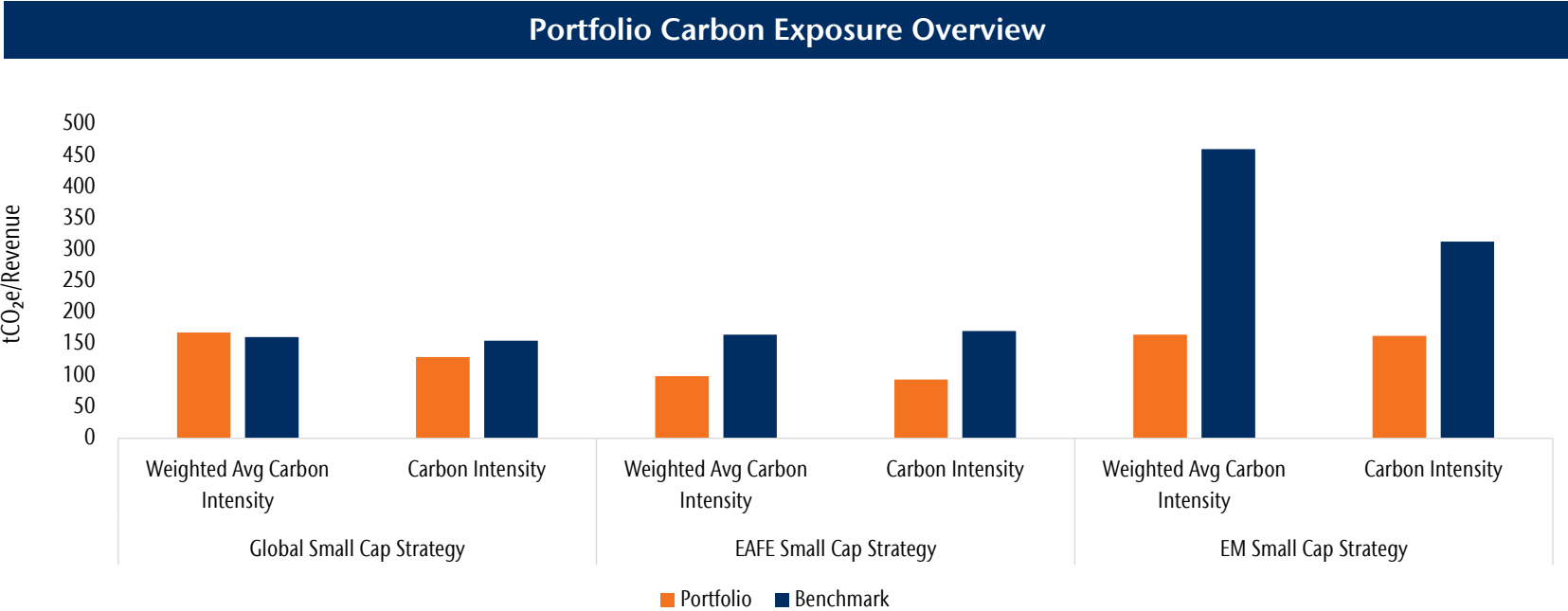
In August 2022 Global Alpha held a follow-up call with the company, where they highlighted their discussions with the board regarding climate disclosure and shared that the board was supportive of this initiative. The company noted their resourcing constraints and current focus on pressing corporate initiatives; however, they confirmed that they would begin engagements with suppliers within the next two months. Finally, in response to the discussion regarding more robust climate-related disclosure, MPAA shared that they were evaluating the associated costs and would follow-up with Global Alpha on their findings. We will hold a follow-up call with the company in 2023 to assess the company's progress on these issues.

Global Alpha maintains records from engagements with issuers to guide discussions, identify weaknesses, and measure ESG progress. As we gather more information, it becomes easier for Global Alpha to measure the impact that our engagements have over time.

Climate Overview

As supporters of the TCFD, Global Alpha is committed to measuring and disclosing the carbon footprint of core strategies on a quarterly basis.

Global Alpha’s portfolios outperformed the benchmark in terms of its carbon intensity. Global Alpha believes that its investment in high quality, industry leaders has contributed to its outperformance over the years. Typically, companies which have high quality financial performance also exhibit better carbon performance due to increased resource efficiency internally.



Source: ISS Carbon Footprint Reports as of 12/31/2022

Climate Overview

Global Alpha strives to promote better reporting and transparency among strategy holdings. This year, we began tracking certain metrics within our Global and EAFE strategies, which we use as tools to assess exposure and monitor material climate risk.

Climate-related risks can affect companies in various ways, such as physical risks from extreme weather events, regulatory risks from new environmental regulations, and reputational risks from public pressure to reduce carbon emissions.

As climate change becomes an increasingly material risk to companies, investors are starting to demand greater transparency and disclosure on climate-related financial risks and opportunities. This is why Global Alpha began tracking the number of companies that report based on the TCFD guidelines and report their commitment to setting science-based targets.

Enhanced Portfolio Statistics

51%
companies that align
reporting with
TCFD

12
companies that
align with



SCIENCE
BASED
TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Of those companies:
science-based target status

33% **67%**
Committed Aligned 1.5

Climate Overview

Biodiversity

Global Alpha began formally assessing how companies are addressing nature and biodiversity risk. Very much linked to climate, many companies are highly dependent on nature and are thus exposed to material threats to their financial performance. As a first step, it was determined that 31% of Global and EAFE holdings have a biodiversity policy in place. Going forward Global Alpha will engage with companies to assess how they are dealing and tracking their dependence on nature and biodiversity.

Example

L'Occitane is a global beauty and skincare company, which uses natural and organic ingredients sourced from various plants, fruits, nuts and other natural compounds in their product development. Given the company's high reliance on natural ingredients, in 2021, they focused on conducting a biodiversity assessment and risk analysis of their value chain.

The company is taking measures to be more mindful of the preservation of biodiversity in their ingredient sourcing. Additionally, they encourage their supply chain partners through different initiatives, providing financial support, incentives, and technical assistance to help them transition towards regenerative practices.

L'Occitane is highly committed to ensuring the resilience of their supply chain. As such they started an agroecology collective of 15 partner farmers in the South of France. The sustainable farming practices used by the farmers have seen numerous benefits such as facilitating the adaptation of plants to climate change and increasing rate of organic matter in soil promoting more resilient crops.



Collaboration with Æquo

Global Alpha is very pleased to announce its collaboration with Æquo, to work together in the development and enhancement of company non-financial measures and methodologies and in the advancement of shareholder engagement.

Æquo Shareholder Engagement Services is a Montreal-based institutional investor services firm specializing in responsible investment with a mission to enable positive impact to the strategies established by its partners. Æquo offers shareholder engagement services with companies owned by its institutional clients, sustainable finance consulting, voting rights and impact measurement.

This collaboration is part of Global Alpha's commitment to continue to develop its expertise and best practices in sustainable finance. We look forward to sharing more details on our projects and initiatives that come as a result of this collaboration.



"Æquo is very pleased to collaborate with Global Alpha in the development of innovative practices in sustainable finance."

Isabelle Gagnon, Managing Director

Corporate Social Responsibility



*Source: Ostrom Climate Solutions

Carbon Offsetting

In 2021, Global Alpha conducted its first corporate flight emissions measurement exercise, this initiative will continue on an annual basis going forward.

Carbon emissions associated with Global Alpha's flights were minimal, largely due to the pandemic flight restrictions, thus business travel was mostly at a halt. As flight restrictions began to ease in 2022, the team resumed travelling to conferences and visiting portfolio holding companies. Global Alpha recognizes the importance of visiting operating facilities and conducting in-person meetings with management of the companies in which we invest as part of its investment and due diligence process. We still aim to minimize unnecessary flights, organize meetings by region and conduct virtual meetings.

We continue offsetting our 2022 corporate travel emission footprint with Ostrom Climate Solutions, Canada's leading carbon management. This year we decided to support the Great Bear Carbon Forest Project. The Great Bear Rainforest is considered a global ecological treasure and, as a coastal temperate rainforest, one of the rarest ecosystems on Earth. It is not simply a conservation project; it is a model for sustainable development in an economically valuable but ecologically and culturally vulnerable area. A majority of the funds go towards stewardship jobs for the First Nations—the monitoring of the carbon program. Additionally, some revenue from offset sales support community initiatives, including youth programs and summer camps, support the Guardian Watchmen program, renovate the Elder center and build a youth center.

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