REMUNERATION GUIDELINES

GLOBAL ALPHA CAPITAL MANAGEMENT LTD.

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INTRODUCTION

Remuneration guidelines are vital to the functioning of public companies and are a key expression of good corporate governance. A well-designed remuneration plan should be able to attract and retain the right CEO, executives and non-executive directors and align their interests with those of shareholders. At Global Alpha Capital Management Ltd., we are mindful of the complexity of this subject, which may vary by industry, country or individual company. We invest in global small cap companies in 23 developed markets that have a market capitalization typically ranging from USD $200 million to USD $10 billion. The following guidelines were developed for this investment universe based on our experiences and philosophy. They are not intended to dictate any investor's voting policy on remuneration.

EXECUTIVE REMUNERATION PLANS SHOULD BE LONG TERM, SIMPLE AND TRANSPARENT

- The board is ultimately responsible for designing, implementing, monitoring and evaluating a CEO remuneration plan. This is typically done through an independent compensation committee.
- Companies should submit CEO remuneration policies to shareholders for advisory votes on an annual basis.
- The plan should be performance-based, driven by long-term value creation and should align CEO and shareholder interests. A substantial proportion of total annual remuneration should be provided in the form of company stock that is locked in for at least five years, regardless of resignation or retirement.
- The plan should be simple, with clear performance goals and metrics. An English version should be available.
- The plan should be transparent, with CEO remuneration caps and comparisons to other senior executives, employees and peer groups.

THE LEVEL OF CEO REMUNERATION SHOULD BE REASONABLE

- Total annual CEO remuneration should generally not exceed US$5 million.
- Annual CEO base pay should generally not exceed US$1 million.
- The multiple of annual CEO remuneration to the median remuneration of all employees except the CEO should not exceed 100x.
- The multiple of annual CEO remuneration to the median remuneration of other senior executives should not exceed 3x.
- CEO remuneration should generally not exceed the median of its peer group.
- Minimum share ownership by the CEO should be 2x the CEO's total compensation after 5 years of tenure.

PERFORMANCE METRICS SHOULD BE CLEARLY DISCLOSED

- Performance metrics, such as total shareholder return vs. benchmark vs. peers, should be set. Such metrics should include the components and weightings of metrics, and explain how the board believes the selected metrics support the short- and long-term strategies of the company.
- The total shareholder return period should be at least four years.

- A significant component of CEO remuneration should be based on performance. Performance should be based on key financial and non-financial metrics.
- Examples of financial metrics include single- and multi-year financial measures (both on an absolute and relative peer group basis). Examples of non-financial measures include environmental, social and governance measures; corporate sustainability measures or other specific non-financial strategic measures.
- Provisions by which compensation will not be paid if performance hurdles are not obtained should be disclosed.
- Clawback provisions should be included to allow companies to recoup compensation already paid in the event of financial restatements or misconduct.
- Peer group analysis may be used but should not dominate the justification for plan design and remuneration levels. The peer group should include companies of a similar size in the same industry.

PERFORMANCE GOALS SHOULD BE CLEARLY DISCLOSED

- An explanation should be provided when a new goal is below last year's actual or target performance, or maximum payout is achieved year after year.

CEO REMUNERATION PLAN MIX SHOULD BE EXPLAINED

- CEO remuneration should comprise both cash- and equity-based compensation. An ideal plan combines three elements: a base cash salary, an annual cash bonus and an equity-based long-term incentive plan (LTIP). The LTIP should have a symmetrical payoff profile with exposure to both the upside and the downside.
- We support performance-based pay and full value share awards.
- We are not opposed to the use of equity incentives, including stock options, restricted stock and deferred share units. However, dilution should not exceed 10% and the burn rate should be less than 2% per annum.
- Allocation of equity incentives to the CEO should not exceed 25% of the available equity incentives.
- Pensionable income should constitute a minor part of total remuneration. It should not exceed 10% of total pay.
- We do not support discretionary awards (retention grants, replacement grants, make-whole awards or re-grants of previously forfeited performance awards, etc.), guaranteed forms of remuneration or postdeath benefits.
- We do not support gross-ups, single-trigger change in control provisions, large severance multipliers or guaranteed multi-year awards. The maximum severance package should not exceed 3x the annual base salary and bonus.
- We do not support plans with change-of-control provisions that allow all equity compensation to be automatically vest upon a change of control.
- We do not support the company making loans to the CEO to allow him or her to pay for equity remuneration.

- We do not support arrangements for the CEO to pledge as collateral or hedge his or her equity ownership.

DIRECTOR REMUNERATION SHOULD NOT BE PERFORMANCE BASED

- Pay for non-executive directors should be structured to ensure independence, objectivity and alignment with shareholder interests.
- Non-executive director pay should generally not exceed USD 80,000 per annum per director.
- Non-executive directors should not receive performance-based pay such as performance stock units (PSUs) or stock options.
- Non-executive director compensation should generally be in the form of cash or restricted stock units (RSUs) or deferred stock units (DSUs) that have the same economic interest as shares.

SUMMARY

Global Alpha Capital Management Ltd. has developed these guidelines to better express our views on remuneration. They serve as an important communication tool when we engage with companies. However, it is important to note that they are guidelines only, and in certain circumstances we may deviate from them if we deem it appropriate. It is our hope that this effort will lead to more effective disclosure from public companies and help shareholders in advisory votes on remuneration.