



# RESPONSIBLE INVESTMENT POLICY

GLOBAL ALPHA CAPITAL MANAGEMENT LTD.

February 2026

**Table of contents**

INTRODUCTION ..... 3

PRINCIPLES FOR RESPONSIBLE INVESTMENT ..... 3

INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISION-MAKING PROCESS ..... 3

MONITORING OF ESG RISKS ..... 4

ENGAGEMENT AND PROXY VOTING ..... 5

SUSTAINABLE GLOBAL SMALL CAP STRATEGY..... 6

GOVERNANCE..... 6

CONFLICTS OF INTEREST ..... 6

SUSTAINABILITY DISCLOSURES..... 6

INTERNAL INITIATIVES AND CORPORATE SOCIAL RESPONSIBILITY (CSR) ..... 7

### **INTRODUCTION**

This policy document outlines Global Alpha Capital Management's (GACM) approach to integrating environmental, social and governance (ESG) factors within its investment process. This policy applies to all strategies, as applicable.

The ESG Committee will review this policy at least annually and make updates as necessary.

### **PRINCIPLES FOR RESPONSIBLE INVESTMENT**

GACM believes that ESG 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 ESG risks within their organization. Therefore, in this fiduciary role, GACM considers ESG factors to the extent it believes these factors have a potential impact on the risk and/or return profile of investment portfolios.

The Responsible Investment Policy of GACM follows the guidelines of the United Nations Principles for Responsible Investment (PRI). The PRI is a set of aspirational and voluntary guidelines for investment entities wishing to address ESG issues.

GACM believes that ESG issues may affect the performance of securities held in its investment portfolios and as such, when consistent with its fiduciary responsibilities, GACM commits to following the six Principles set out in the UN-backed PRI:

1. To incorporate ESG issues into investment analysis and decision-making processes.
2. To incorporate ESG issues into ownership policies and practices.
3. To seek appropriate disclosure on ESG issues by the entities in which it invests.
4. To promote acceptance and implementation of the Principles within the investment industry.
5. To work together to enhance effectiveness in implementing the Principles.
6. To report on its activities and progress towards implementing the Principles.

In addition to being a member of the PRI, GACM is a member of the Responsible Investment Association (RIA) as an affiliate of member CC&L Financial Group and an endorser of the Task Force for Climate Related Financial Disclosures (TCFD), now incorporated into the International Sustainability Standards Board's (ISSB) climate standards.

### **INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISION-MAKING PROCESS**

GACM uses a holistic ESG integration framework as one part of the overall investment decision making process. This includes using investment theme selection, qualitative and quantitative analysis, engagement and proxy voting.

ESG factors are systematically integrated into various aspects of GACM's investment analysis, including (macro) economic analysis, industry analysis, analysis of company strategy and quality of management, idea generation, valuation analysis, portfolio construction, proxy voting and engagement. ESG factors are identified and analyzed using an internal financial materiality tool, ensuring the analysis is focused on those risks that are deemed financially material to a company. These are defined as risks that may have short, medium or long-term impacts on the company's financial performance. Examples of such factors include those related to climate change, biodiversity, human capital management and good governance, such as

## RESPONSIBLE INVESTMENT POLICY

those outlined by the Sustainability Accounting Standards Board (SASB), the ISSB, and the Principles of the United Nations Global Compact (UNGC). By focusing on financially material risks, the ESG analysis supports investment decision-making, prioritizing factors that significantly influence value creation and risk mitigation.

In addition, as part of its commitment to respecting human rights principles, GACM integrates a country-level human rights risk mapping into its ESG scoring and analysis framework. This process identifies companies with headquarters in jurisdictions considered high-risk for human rights violations to identify the need for enhanced due diligence on company exposure, practices, and mitigation measures.

GACM uses an internal ESG scoring and analysis methodology to provide a comprehensive assessment of ESG risks and opportunities, combining quantitative scoring with a qualitative analysis to ensure a thorough understanding of each company's ESG performance. The team collects raw ESG data on a company's activities and products through company websites, reports, and meetings with management. Each prospective holding is assigned a score in five areas: Sustainability Reporting, Environmental (E), Social (S), 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. For all GACM portfolio holdings, such information is held in a centralized database and is accessible by the entire investment team.

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 are directly factored into GACM's valuation of each security.

With the exception of certain funds, GACM does not utilize exclusionary screens when incorporating ESG factors into the investment process and instead addresses ESG risks through its in-house research, engagement, and proxy voting activities.

### **MONITORING OF ESG RISKS**

GACM monitors ESG risk incidents on a daily and real-time basis using a third-party ESG risk monitoring platform. When a new risk incident is assessed as financially material, the investment team will be informed and a company's ESG score will be adjusted accordingly. This continuous monitoring aims to ensure that ESG assessments remain accurate and up to date by capturing emerging risks as they occur. In addition, the investment team conducts regular reviews of news and developments that may affect portfolio companies.

If an investee company's ESG score falls below the minimum threshold, or if new information or incidents materially affect its ESG assessment, GACM will promptly initiate a review to determine the appropriate course of action. Consistent with its active ownership approach, holdings identified as having financially material ESG risk incidents or declining scores are flagged for engagement and may be added to the internal ESG focus list. GACM will engage with company management to assess the situation, evaluate the financial materiality of the issue, and establish an engagement plan aimed at promoting improvement where appropriate. In cases of severe or persistent breaches, the investment may be re-evaluated, and the company may ultimately be sold or excluded from the relevant GACM portfolios.

### **ENGAGEMENT AND PROXY VOTING**

GACM is an active shareholder and believes that shareholder engagement and proxy voting is an effective way to encourage companies to increase transparency, enhance long-term shareholder value and mitigate risks.

For most strategies, ESG stewardship & engagements occur through two main approaches:

1. sustainability-focused engagements
2. proxy voting related engagements

The GACM investment team actively engages with the management of companies in which the firm invests or considers investing on behalf of its clients. Sustainability-focused engagement, mainly conducted by the Sustainability Analysts, is a component of the firm's investment process, with the objective of promoting enhanced transparency, gathering relevant ESG information as part of the investment research process, and sharing the firm's perspectives and views on best practices for managing material ESG risks and opportunities. GACM prioritizes engagement with holdings that exhibit higher financially material ESG risks, and where proactive dialogue can have the most impact on ESG risk mitigation and opportunities management. For all sustainability focused engagements, an internal ESG focus list of companies is kept to monitor engagements and progress made by each company. This list is continuously updated as new risks emerge, and as the team initiates and exits positions.

A comprehensive engagement on a particular ESG issue would include multiple, substantive, detailed discussions or interactions with a company (e.g., emails, meetings and calls) over a period of months or years, working towards the achievement of specific engagement objectives defined at the beginning of the engagement process. Each engagement is guided by defined topics, with discussions and progress tracked over time.

GACM considers engagement with holdings to be instrumental to its stewardship and ESG program and takes a proactive approach to proxy voting by engaging with companies where it is considering voting against management's recommendations. To do so, GACM receives support from the centralized CC&L Financial Group Stewardship & Engagement team, who works with the investment team to facilitate proxy voting and conducts engagements on proxy voting matters. GACM utilizes the global proxy research and voting services of Institutional Shareholder Services (ISS) to help assess and vote proxies in accordance with its custom voting guidelines. Taking into account GACM's custom guidelines, ISS prepares voting recommendations for all proposals on which GACM is entitled to vote. GACM believes that for its proxy voting process to be successful, some flexibility is required, and for that reason it uses guidelines rather than rules. It may deviate from these guidelines to avoid voting decisions that it believes may be contrary to the long-term interests of shareholders in the company. For further information, please see the GACM Proxy Voting Policy.

GACM is also open to collaborating with other industry participants and/or advocacy organizations to promote the integrity and sustainability of capital markets. GACM believes that certain ESG issues are best addressed through regulation and public policy and will advocate in areas where they believe they can assist or provide insight into the formulation of public policy. GACM's collaborative and advocacy activities are approved by the ESG Committee. In addition, when needed, GACM may submit shareholder proposals at annual general meetings. For information on the most recent collaborative engagement and advocacy initiatives, please see GACM's most recent Responsible Investing Report.

### **SUSTAINABLE GLOBAL SMALL CAP STRATEGY**

For its Sustainable Global Small Cap Strategy, GACM uses the same process for integrating ESG factors into the fundamental research, in addition to incorporating sustainability themes and SDG-revenue alignment into the investment process. Furthermore, the minimum ESG scoring requirement for companies in the Sustainable Strategy is higher than for other strategies, as the Product's objective is to focus on companies with a product or service expected to deliver positive outcomes in addition to strong financial returns. More information on this strategy is available in the Sustainable Global Small Cap Annual Report.

### **GOVERNANCE**

The role of the ESG Committee is to oversee sustainability across the firm and its investment practices. This committee consists of 8 members, including the Chief Investment Officer and senior members of the team, who meet on a bi-annual basis to discuss trends, processes and developments related to corporate social responsibility and responsible investing. It aims to provide oversight and recommendations on ESG-related themes. The Board receives ESG updates on a quarterly basis and has ultimate oversight over the firm's responsible investing approach. Additional information on the ESG Committee is available upon request.

On a day-to-day basis, the internal oversight of ESG practices is done by the Investment Committee. GACM has two dedicated Sustainability Analysts who support the investment team by delivering ESG-related research and services.

In addition, all investment professionals integrate ESG considerations into their analysis of potential and existing investments where such information is available, along with traditional financial analysis to inform investment decisions. ESG integration is driven by taking into account material sustainability and/or ESG risks which could impact investment returns, rather than being driven by specific ethical principles or norms. The investment professionals may still invest in securities which present sustainability and/or ESG risks, including where the portfolio managers believe the potential compensation outweighs the risks identified

### **CONFLICTS OF INTEREST**

GACM takes proactive measures to anticipate reasonably foreseeable conflicts of interest and to assess the materiality of such conflicts. Actual or potential conflicts of interest, including those related to responsible investment, have been addressed by implementing appropriate controls and procedures. GACM's conflicts of interest policy has been documented in our Policies and Procedures Manual.

### **SUSTAINABILITY DISCLOSURES**

#### UN PRI

As a signatory to the UN PRI, GACM reports annually on its responsible investing activities, in accordance with the PRI reporting framework. This assessment is available upon request.

#### Proxy Voting

Proxy records are reported to clients quarterly and more information is available upon request.

#### Climate-Related Disclosure

GACM's Climate-related disclosures (TCFD-Aligned Report, now incorporated into the ISSB climate standards) outlines how climate-related risks and opportunities are measured and managed within the firm

## RESPONSIBLE INVESTMENT POLICY

and its investment process. In addition, GACM reports on the carbon footprint of its portfolios on its website on a quarterly basis.

### Responsible Investing Report

GACM reports annually on the firm's ESG initiatives and provides highlights on its active ownership activities in its Responsible Investing Report. This report is made publicly available on our website.

### Proxy Voting Guidelines

GACM's Proxy Voting Policy and Remuneration Guidelines are publicly available to clients on its website.

## **INTERNAL INITIATIVES AND CORPORATE SOCIAL RESPONSIBILITY (CSR)**

GACM believes in implementing the same kind of actions as are expected of portfolio holdings. GACM has put into place initiatives which further its commitment of being a responsible investor. The ESG Committee is tasked with overseeing and reviewing the implementation of CSR initiatives across the firm to ensure good corporate social responsibility. CSR initiatives are guided by the Corporate Social Responsibility Policy of Connor, Clark, & Lunn Financial Group. This policy is managed and maintained by a centralized Socially Responsible Business Practices Working Group to help drive our business practices agenda regarding issues such as health and wellness, diversity and inclusion, and environmental sustainability.



**Robert Beauregard, Chief Investment Officer**