



RESPONSIBLE INVESTMENT POLICY

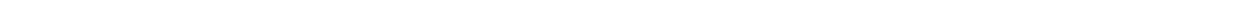
Global Alpha Capital Management Ltd.

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RESPONSIBLE INVESTMENT POLICY

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PRINCIPLES FOR RESPONSIBLE INVESTMENT

Responsible investment began as a niche investment area, serving those who wished to invest within ethically defined parameters. In recent years, mainstream investors have become increasingly interested in integrating environmental, social and corporate governance (ESG) issues into their investment decisions. This interest is evidenced by the growth in assets under management of investors adopting responsible investment principles, the greater availability and use of ESG data and rising ESG integration into investment decisions.

The Responsible Investment Policy of Global Alpha Capital Management (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. In October 2012, GACM became a signatory to the PRI.

As an investment manager and investor on behalf of its clients, GACM has a duty to act in the best long-term interests of its clients. In this fiduciary role, GACM believes that ESG issues can affect the performance of investment portfolios and recognizes that applying this Policy may better align the interests of investors with the broader objectives of society. Therefore, 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 responsibilities 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 with asset management participants.
5. To work together to enhance effectiveness in implementing the Principles.
6. To report on its activities and progress towards implementing the Principles.

ESG ISSUES AND OBJECTIVES

A definitive list of ESG issues does not exist. It would not be possible or desirable to produce a list, or a set of definitions, that claimed to be exhaustive or definitive. Any such list would inevitably be incomplete and would soon be out of date.

Environmental issues relate to the quality and functioning of the natural environment and natural systems. Environmental issues include biodiversity loss; greenhouse gas (GHG) emissions; climate change; renewable energy; energy efficiency; air, water or resource depletion or pollution; waste management; stratospheric ozone depletion; changes in land use; ocean acidification; and changes to the nitrogen and phosphorus cycles.

Social issues relate to the rights, well-being and interests of people and communities. These include human rights; labour standards in the supply chain; child, slave and bonded labour; workplace health and safety; freedom of association; freedom of expression; human capital management and employee relations; diversity; relations with local communities; activities in conflict zones; health and access to medicine; HIV/AIDS; consumer protection; and controversial weapons.

Governance issues relate to the governance of companies and other investee entities. In the listed equity context, these include board structure, size, diversity, skills and independence; executive pay; shareholder rights; stakeholder interaction; disclosure of information; business ethics; bribery and corruption; internal

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controls and risk management; and, in general, issues dealing with the relationship between a company's management, its board, shareholders and other stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues and how the strategy is to be implemented.

As an investment manager and investor on behalf of its clients, GACM aims to influence companies that it invests in on behalf of its clients to help mitigate ESG-related risks and effectively manage ESG matters.

GACM's objective in integrating ESG considerations into the investment process focuses on identifying companies with the following attributes:

Environmental

- A cautious and responsible approach to the environmental management of business operations
- Efficient use of natural resources
- Mitigation/Enhancement of product and service impacts on the environment

Social

- International labour and human rights standards, safe and healthy working conditions and responsible labour management
- Fair treatment of customers including consideration of product safety, data protection and responsible marketing practices
- Positive engagement with regulators, communities and other stakeholders impacted by business activities

Corporate Governance

- Compliance with the relevant laws and regulations in countries of operation
- High standards of business integrity and work against bribery and corruption
- Clearly defined responsibilities and procedures in company management structures with appropriate internal control mechanisms
- Independence of board. Ideally the board should be chaired by an independent director and at least two-thirds of directors should be independent
- Gender diversity and executive remuneration
- Communication and disclosure of how ESG matters are managed

ESG APPROACH

GACM uses a combination of ESG incorporation strategies including quality screening, investment theme selection and qualitative analysis.

Quality screening uses measures such as profitability, revenue growth and balance sheet strength to determine a company's suitability for inclusion in GACM portfolios.

Investment theme selection helps narrow the universe of companies for GACM portfolios. GACM selects companies in the context of themes consistent with ESG compliance.

In qualitative analysis, an internal template of key ESG company data (the GACM ESG Data Template) is used to calculate an ESG score for any individual company. The GACM investment team contributes to the GACM

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ESG Data Template by collecting raw ESG data on a company's activities and products through company websites, reports and meetings with management. For all GACM portfolio holdings, such information is held in a centralized database and is accessible by the entire investment team.

The qualitative analysis on responsible investment ensures that the various criteria used by GACM are not breached. As the GACM ESG Data Template is updated from time to time, if any portfolio company is later found to be in breach of a criterion, the investment in such portfolio company will be sold or otherwise excluded from the relevant GACM portfolio as soon as possible.

The GACM ESG Data Template and individual company scores are updated at least annually to ensure that portfolio holdings comply with this Policy. The quality of the research undertaken is reviewed annually by the person in charge of responsible investment at GACM.

The GACM ESG Data Template is 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 and portfolio construction.

The integration of the GACM ESG Data Template into GACM's valuation tools is mainly accomplished through adjustments to discount rates.

ENGAGEMENT

"Engagement" refers to interactions that GACM may have with companies to exercise influence in relation to ESG issues. With respect to ESG issues, the GACM investment team regularly interacts with the management of companies in which it is, or may be, invested in on behalf of its clients. The purpose of this interaction is to support company research, to influence corporate practice (or identify the need to influence) on ESG issues and to encourage improved ESG disclosure.

A comprehensive engagement on a particular ESG issue would include multiple, substantive, detailed discussions or interactions with a company (e.g. letters, meetings and calls) over a period of months or years.

In implementing a comprehensive engagement program with a company, GACM may engage in one or more of the following activities:

1. Direct corporate engagement
 - Communicate with the senior management of companies on ESG matters.
 - If ESG risks are identified in a company, establish a dialogue with the company to mitigate or eliminate these risks.
2. Shareholder action
 - When needed, submit shareholder proposals at annual general meetings.
3. Voting rights exercise
 - Voting refers to voting on management and/or shareholder resolutions as well as filing shareholder resolutions.
 - 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 policy. 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

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successful, some flexibility is required, and for that reason it uses guidelines rather than rules and may deviate from these guidelines to avoid voting decisions that it believes may be contrary to its clients' best interest. For further information, please see our Proxy Voting Policy.