



**December 20, 2012**

**Dear clients and colleagues,**

In October 2012, Global Alpha proudly became a signatory to the UN Principles of Responsible Investment (PRI).

PRI is a set of aspirational and voluntary guidelines for investment entities wishing to address environmental, social, and corporate governance (ESG) issues. Over 1100 companies representing over US\$32 trillion have signed the Principles.

Responsible investing began as a niche investment area, serving those who wished to invest within ethically defined parameters. It has grown rapidly in recent years, encompassing an estimated US\$3.74 trillion out of US\$33.3 trillion in the US investment marketplace today. Canadian assets in responsible investing mandates now represent 20% of assets under management.

As institutional investors, we at Global Alpha have a duty to act in the best long-term interests of our clients. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios. We also recognize that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following six Principles:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will incorporate ESG issues into our ownership responsibilities policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles with asset management participants.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will report on our activities and progress towards implementing the Principles.

In our day-to-day work, ESG evaluation is built into our bottom-up fundamental analysis, continuous monitoring, and exercise of voting rights. There are a broad set of factors to consider. We conduct due diligence to ensure the following aspects are well addressed.

- **Reputation, leadership and innovation**  
We validate a company's legal, compliance and ethical track record, look for leadership in managing ESG issues, and welcome new initiatives promoting business ethics and responsible and sustainable practices.
- **Governance**  
We verify a company's corporate governance policy including management structure, compliance system, independent directors, executive compensation and share ownership, and employee relations.

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- Corporate citizenship and responsibility  
We prefer companies engaged in environmental stewardship, community involvement and philanthropy, workplace well-being, and ESG supply chain control.
- Culture of ethics  
Companies should enforce policies on business ethics to increase ethical awareness, commitment and behavior. Where ethical breaches happen, there should be consequences.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time.

We encourage other investors to adopt the Principles.

Have a nice weekend.

The Global Alpha Team

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