



Granahan Investment Management
Statement on ESG, Responsible and Sustainable Investing

Granahan Investment Management (“GIM”) is a small cap equity boutique. The firm utilizes in-depth bottom up research to seek companies well-positioned for outsized enterprise growth. As part of our research process, we strive to understand the material and relevant Environmental, Social and Governance (ESG) issues for the companies we analyze and integrate these into investment decisions consistent with our fiduciary duty to our clients.

GIM is a signatory of PRI (Principles for Responsible Investment).

GIM Philosophy with respect to ESG Integration in the Investment Process

At a base level, GIM believes that ESG factors can have a material impact on the value of a company and the respective stock price. The consideration of ESG factors alongside traditional fundamental metrics provides us with a better understanding of the risk/return of potential investments. The relevance of specific ESG issues differ and vary in degree across companies and sectors. In particular, for small cap companies, data on ESG factors is frequently lacking. Therefore, in-depth fundamental research is imperative to enable us to uncover and understand ESG considerations, the materiality thereof, and integrate them into our investment process.

Integration of ESG into the Investment Process

GIM subscribes to and references the MSCI and Bloomberg ESG databases for each company that is under consideration for investment. This research is incorporated into the initial purchase recommendation sheet. It is important to note, however, that the rating companies each have their own way of measuring ESG factors, and frequently use different metrics. Today, with the rise of rating systems, most large companies are easily evaluated with respect to ESG initiatives, as they tend to have internal teams that self-report to the rating organizations. Given the reporting structure, many of our smaller companies do not screen well with the various ESG grading systems – their boards are too small compared to larger peers, or they do not have policies in place for social purpose, or they simply are too small to have the internal resources to report on the many required metrics.

Due to all the above-mentioned issues, GIM will not automatically screen out companies based on ESG scores, though we believe that ESG analysis and integration is a natural extension to quality-oriented fundamental research and risk. From an investment perspective, as a bottom-up shop, GIM views ESG factors in the research process with an eye to both the risks for the company and the rewards of strong ESG practices. These, in turn, are factored into our stock



valuation analysis. Scores from MSCI are reviewed at initial purchase, as needed on an ad-hoc basis, and annually when rating agencies update reports. However, GIM's ongoing fundamental research is integral to evaluating company-specific ESG risks.

Responsible Ownership

At GIM, responsible ownership is accomplished in several ways. Perhaps the most significant is to meet with company management teams directly. Through these meetings, we seek discussion on factors and risks, particularly where we believe such information could materially impact the value of our investments, including the market's perception of the company with respect to ESG and sustainability metrics. We are also able to raise awareness of important issues to management teams and develop a framework for evaluating their responses. Engagement with management teams is a core part of our fundamental research process as it gives us unique insights into management quality, business model, governance, financial strategy, and future business prospects. Meetings with management also allow us to evaluate the materiality of risk factors, refine our conviction levels related to our investment thesis, express our views, and enact positive change. We have partnered with an engagement tracking platform to help us manage our company engagements, specifically our ESG conversations. Granahan considers the UN Sustainable Development Goals and views these objectives as valuable.

Exclusions

GIM excludes certain investments as not meeting our fundamental growth metrics and our sustainable investing views:

- Thermal Coal
- Weapons Manufacturers (Nuclear, Cluster Munitions, Anti-Personnel Mines, Firearms & Ammunition)
- Tobacco Manufacturers
- Pornography

Granahan will not own companies in violation of the UNGC.