ESG and Sustainable Investments Integration

Unlike investment vehicles which specifically promote environmental, social and governance ("**ESG**") characteristics or with a specific sustainability or impact objective that may have a constrained investment universe, the Funds are primarily aimed at maximising financial performance. ESG factors are input factors within the investment process that the Investment Manager considers appropriate to pursue the Funds' investment objective. The Investment Manager is a signatory to the United Nations' Principles for Responsible Investment and as such does fundamental research on companies that will be on the right side of environmental and social objectives, believing that these companies will be able to maximise growth over the long term. These companies will likely have sustainable models that will maximise financial performance for our clients. ESG analysis is included as a section of the Investment Manager's standard review process. As part of the process, the Investment Manager reviews the ESG ratings from its third-party vendor, ISS ESG, and supplements the ESG ratings provided by ISS ESG by using its own internal qualitative fundamental analysis that is aligned with the Investment Manager's views on the ESG factors that can affect a company performance.

Environmental areas of focus include climate change, natural resources stewardship, pollution and waste management. Social considerations include human capital management, customer well-being, supply chain management, cost reducing healthcare that also improves health outcomes, positive industry innovation, peace, justice and social opportunities initiatives and community relations. From a governance perspective, the key focus is on board composition, minority shareholder treatment, management incentives, corporate culture and management and board commitment to sustainability objectives.

The Investment Manager seeks to avoid investing in companies that do not respect global norms and conventions, and companies that derive a significant portion of their revenues from activities that the Investment Manager deems not to be compliant with sustainable investment principles, including, but not limited to revenues drawn from:

- for the Granahan US Focused Growth Fund - tobacco, alcohol, conventional weapons, and fossil fuel enterprises; and

- for the Granahan US SMID Select Fund and the Granahan US Small Cap Discoveries Fund - tobacco, alcohol, conventional weapons, and companies whose products are particularly harmful to the environment.

Companies that are subject to sanctions or that manufacture cluster munitions are also excluded. In determining whether or not to invest based upon these principles, the Investment Manager will incorporate industry accepted screening tools from vendors that it deems to be reliable.

In addition, ESG factors and risks are also covered across the Investment Manager's broader and ongoing assessment of a company's competitive positioning; its relationship with various constituents including suppliers, customers, employees and regulators; as well as an evaluation of the risks of the businesses they are in. As set out above, governance in particular has always been core to the Investment Manager's investment process, long before it began incorporating third-party ESG services.

As part of its ongoing monitoring of ESG integration, the Investment Manager receives information in respect of any changes to ESG ratings of companies within its portfolio from ISS ESG. The

Investment Manager will consider the changes to a company's ESG rating and may divest from such holdings if it believes that the reason for the change to the rating is inconsistent with the Investment Manager's fundamental approach to ESG integration. However, because data is generally unavailable, US small companies do not have strong ESG ratings. For example, the Russell 2000 Growth Index has an average company rating of "C-".

In addition to the investment restrictions set out above, the Investment Manager may adopt certain additional internal investment criteria which may further restrict investments, such as internal policies limiting or prohibiting investments in businesses that engage in certain types of natural resource activities or are identified as failing to meet certain criteria put forth by the United Nations or other global organisations (including "sanctions" lists).

As quality data becomes more accessible, the Investment Manager will incorporate that data into its fundamental research process. Currently there is no universal approach for companies to determine the best reporting standards to apply and also there is little to determine the materiality level of these issues. The number of rating agencies has grown over the years, together with the number of different rating systems. The lack of standardisation and transparency in the data collection and scoring methodologies pose enormous challenges, particularly in the US small cap arena. Drawing comparisons among the companies that are rated is a daunting task as the agency scores often conflict.

The Investment Manager analyses ESG related risks to determine if its clients will be appropriately compensated. If the Investment Manager determines any risk – including those related to ESG – is too significant and could present significant downside exposure, it would typically not invest.

No Consideration of Adverse Impacts on Sustainability Factors

Given the investment objectives and policies of the Funds and the nature and scale of the Investment Manager's business, the Investment Manager does not currently consider the adverse impacts of investment decisions on sustainability factors as it believes focusing on the selection of investment opportunities for the Funds to be a greater use of its resources. The decision whether to consider adverse impacts of investment decisions on sustainability factors will be reviewed periodically.