Conestoga Capital Advisors – ESG Engagement Policy

ESG Philosophy

Since the founding of Conestoga Capital Advisors in 2001, our primary mission has been focused on creating long-term financial value for our clients by investing in higher quality growth companies capable of growing through multiple business cycles, while seeking to take advantage of other investors' focus on near-term earnings. Throughout our history, we have employed a rigorous bottom-up, fundamental research process to help us achieve this goal. The foundation of our investment process has been in place since the inception of our firm—that is, finding companies with sustainable earnings growth and stability, consistent profitability, strong balance sheets, and management teams whose interests are aligned with shareholders.

As the investment landscape has evolved over the last two decades, asset managers, investors and capital allocators have been incorporating additional non-financial factors in their investment analysis. More recently, one strategy that has increasingly garnered interest is ESG investing, where managers seek to incorporate environmental, social, and governance issues into their security selection process. We recognize the term ESG is not uniformly defined across the industry and its principles are applied in different ways among asset managers, us included. We have our own perspective on what ESG means and how we incorporate its characteristics into our investment process.

Some elements of ESG, most notably the 'G' (Governance), is heavily incorporated into our investment philosophy and has been a key input of our fundamental research process throughout our firm's history. Other elements, including the 'E' (Environmental) and 'S' (Social) are not explicitly embedded as core principles of our process but are considered important elements of our due diligence which we supplement with third-party ESG data services. While we place more emphasis on certain financial and non-financial characteristics than others, it's important to incorporate all available data into our analysis to get a holistic view of every company we invest in and understand all the inherent business risks associated with each company.

To be clear, while we have enhanced our process over the years to include more ESG-related criteria, we are not thematic in our approach towards ESG. We are not looking to drive capital towards specific environmental and/or social goals, nor do we screen out companies or sectors from consideration if they do not meet certain benchmarks related to those goals. Rather, we integrate several responsible investing factors into our research process to mitigate risk and enhance the risk/return profile of our investment strategies which are aimed to benefit the clients and shareholders we have the privilege of serving.

We have observed that although we have not historically managed the portfolio to achieve specific ESG outcomes, the high-quality orientation of our approach has naturally tilted the portfolio toward favorable ESG characteristics over time.

Investment Process and ESG Integration

Our investment process has always focused on finding higher-quality businesses through both quantitative and qualitative criteria. From a quantitative perspective, we evaluate companies' regulatory filings, financial statements, and annual reports to identify those companies that have earnings growth, profitability, balance sheet, and insider ownership characteristics that we believe lead to lower volatility and better downside protection.

We also incorporate several proprietary qualitative criteria to complement this quantitative analysis in our determining if we should move forward with an investment. These may include customer concentration risk, medical reimbursement risk, regulatory risk, and binary risk, to name a few. The qualitative component of our research process is critically important and is best understood through engagement with company management teams, suppliers, customers, and competitors.

With the rise of ESG, the breadth and quality of available information has exponentially increased and discussions with management teams have evolved to include more ESG-related characteristics. For example, we want to know if executive compensation is aligned with long-term shareholder value creation, or if business operations are negatively impacting the environment and corresponding value chain, or if workplace safety and employee compensation and benefits support long-term success. Companies have become more transparent through public disclosure of non-financial data surrounding their ESG metrics (including a significant portion that provide sustainability reports). As a result, we've been able to incorporate more of this data into our already robust fundamental research framework, enhancing our insights into each company and helping us formulate a more thorough risk assessment.

The proliferation of this information coupled with more enriched dialogue with company management teams, have helped us better understand why certain business practices may be deficient and how the company plans on addressing those issues. In addition, we've incorporated the use of a third-party ESG data provider as another resource to confirm that ESG data is consistent with the company's stated business practices. Through this engagement, we weigh the factors to determine whether the risks are warranted and if the upside appreciation potential outweighs the potential risks. Some examples of ESG characteristics we may consider include, but are not limited to:

Environmental	Social	Governance
Energy Efficiency Pollution Prevention Waste Management	Labor Relations Working Conditions Diversity Issues	Board Structure Executive Compensation Transparent Management

While we do offer company management teams our thoughts and opinions on ways to improve corporate practices in certain areas, we do not consider ourselves to be 'activist' investors and do not seek to alter company behavior in a material way. We tend to gravitate towards companies whose values are already aligned with our own. Management teams focused on the long-term who are good stewards of capital and seek to maximize shareholder value, while also engaging in good corporate citizenship, are typically the types of companies we look to partner and invest with.

Commitment to our Clients

Conestoga supports the framework for a sustainable global financial system which benefits investors and our communities through the ideals of responsible investment, by partnering with companies that are adding value to society through their products and services.

Our strategies have reflected that commitment throughout our history by investing in companies whose values are aligned with our own, while avoiding those with controversial business practices. The companies we invest in are typically leaders in their respective markets (#1 or #2 in market share in their industries), and we believe that status is very difficult to achieve over the long-term unless you're focused on the right things and doing things the right way. Those companies with conservative accounting practices, clean balance sheets, strong cultures, the ability to fund their own growth, and those that foster good governance with integrity and accountability are the ones who tend to add the most value to their shareholders over long periods of time. Many of these characteristics are congruent with common ESG themes.

Ultimately, we have a fiduciary duty to act in the best interest of our clients, shareholders, partners, and employees. We started our business over 20 years ago to provide long-term value creation for our beneficiaries to achieve their investment objectives, whether it's retirement income for pension plan participants, helping foundations achieve their mission of charitable giving, or providing operating income for a school endowment.

We look forward to continuing that mission in the years ahead and are committed to building on the solid foundation of our investment principles through continuous improvement, education, and engagement. We will respect those with diverse perspectives, look for ways to increase awareness on responsible investing, and strive to stay well-informed on current issues as the world and financial landscape continues to evolve.

Disclosures:

Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal. The information in this document should not be considered a recommendation to buy or sell any security. Conestoga Capital Advisors (CCA) utilizes Environmental, Social and Governance (ESG) criteria screening after all other screens have normally been used by CCA in the investment management decision making process. At this time, CCA will not be offering ESG specific products and related investment management services. CCA will use company specific ESG ratings and analysis as one of the many data points in the investment management decision making process. The individual company, ESG third-party service provider ratings will be reviewed and analyzed by the CCA Portfolio Managers and Analysts. It should not be assumed that any ESG initiatives, standards, or metrics described herein will apply to each asset in which CCA invests or that any ESG initiatives, standards, or metrics described herein have applied to each of CCA's prior investments. Any ESG initiatives described herein will be implemented with respect to a portfolio investment solely to the extent CCA determines such initiative is consistent with its broader investment goals. Accordingly, certain investments may exhibit characteristics that are inconsistent with the initiatives, standards, or metrics described herein.