



**PUBLIC RI REPORT**

**2021 PILOT**

**Montanaro**

**Generated 2022-11-21**

# About this report

The PRI Reporting Framework helps to build a common language and industry standard for reporting responsible investment activities. **Public RI Reports** provide accountability and transparency on signatories' responsible investment activities and support dialogue within signatories' organisations, as well as with their clients, beneficiaries and other stakeholders.

This **Public RI Report** is an export of the signatory's responses to the PRI Reporting Framework during the 2021 reporting period. It includes the signatory's responses to mandatory indicators, as well as responses to voluntary indicators that the signatory has agreed to make public.

The information is presented exactly as it was reported. Where an indicator offered a multiple-choice response, all options that were available to select from are included for context. While presenting the information verbatim results in lengthy reports, the approach is informed by signatory feedback that signatories prefer that the PRI does not summarise the information.

## Context

In consultation with signatories, between 2018 and 2020 the PRI extensively reviewed the Reporting and Assessment processes and set the ambitious objective of launching in 2021 a completely new investor Reporting Framework, together with a new reporting tool.

We ran the new investor Reporting and Assessment process as a pilot in its first year, and such process included providing additional opportunities for signatories to provide feedback on the Reporting Framework, the online reporting tool and the resulting reports. The feedback from this pilot phase has been, and is continuing to be analysed, in order to identify any improvements that can be included in future reporting cycles.

## PRI disclaimer

This document presents information reported directly by signatories in the 2021 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

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# Senior Leadership Statement (SLS)

## Senior leadership statement

### Our commitment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S1	CORE	N/A	N/A	PUBLIC	Our commitment	GENERAL

- o **Why does your organisation engage in responsible investment?**
- o **What is your organisation’s overall approach to responsible investment?**
- o **What are the main differences between your organisation’s approach to responsible investment in its ESG practice and in other practices, across asset classes?**

1) Montanaro Asset Management (“MAM”) implement the duty to be Responsible Investors through fully integrating Environmental, Social and Governance (ESG) analysis into the investment process for all Montanaro Funds. Analysts at Montanaro are responsible for conducting fundamental research alongside ESG analysis. This helps us to build as complete a case as possible for the “Quality” of an investment. To us, being Responsible Investors means considering anything that may influence the long-term financial performance of our investments. Research supports our view that there is a positive correlation between how well a company manages issues in relation to ESG and what we are ultimately concerned with: the long-term return for our clients. We believe that this approach will help to foster a more sustainable form of capitalism.

2) Responsible Investment forms an integral part of how we think, behave and invest. ESG was first included in our investment process over 15 years ago and today is firmly integrated within our approach. Every Analyst at Montanaro is responsible for conducting ESG and impact analysis on the companies under their coverage. The result is that our investment decision makers “do” sustainability analysis. We conduct fundamental company analysis at Montanaro, all research is conducted in-house. This has allowed us to integrate ESG into our investment process. We recognise that this is resource and time consuming, especially in SmallCap where managers cannot rely on external ESG research. It is for this reason that we have a large team of dedicated SmallCap Analysts. It is also why our Analysts are capable of not just assessing a company’s finances, but also the more qualitative aspects of a business.

3) There is no distinction between the MAM approach to Responsible Investment across our funds. All assets must adhere to our ethical exclusion policy and pass our proprietary ESG Checklists as part of our quality assessment to determine eligibility for our funds. Alongside thorough ESG analysis of companies held across our fund range, our impact strategy (the Montanaro “Better World Fund”) incorporates this approach to invest in companies providing solutions to the world’s major problems, as defined by the UN Sustainable Development Goals.

## Annual overview

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S2	CORE	N/A	N/A	PUBLIC	Annual overview	GENERAL

- **Discuss your organisation’s progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.**
- **Reflect on your performance with respect to your organisation’s responsible investment objectives and targets during the reporting year. This might involve e.g. outlining your single most important achievement, or describing your general progress, on topics such as the following:**
  - **refinement of ESG analysis and incorporation**
  - **stewardship activities with investees and/or with policy makers**
  - **collaborative engagements**
  - **attainment of responsible investment certifications and/or awards**

During the year in question notable progress has been made in the area of thematic engagement on Climate Action. In 2019, Montanaro set a target that 10% or more of the Montanaro Better World Fund by value will be invested in companies that have achieved Net Zero Carbon by no later than 2030. To reach this target, Montanaro’s Investment Team has begun a long-term engagement: “Project: Net Zero Carbon”. Every year we contact our investee companies to offer guidance and encouragement on how they might put measures in place to achieve their environmental goals. During 2020 we engaged with 23 companies on their environmental footprints. We have seen an increase in reporting on Scope 1, 2 and 3 emissions and target setting in line with Science Based Targets. Over the course of 2020 we have advanced our ESG processes in the following ways:

- We have expanded our ESG checklist to have a more detailed focus on environmental and social issues. This increases the number of data points that go into our ESG scores for each company and therefore the final quality score for any potential investment.
- We have been able to use the changes instigated by the pandemic to have more frequent contact with our investee companies via video calling. We have even been able to undertake virtual site visits. The ease and regularity with which we have been able to check in with our companies to assess has improved our already close relationships with management which will last into the future. Stewardship and engagement are a key part of the MAM investment process. Through active ownership and constructive engagement, we get to know the businesses in which we invest and support them on their journey. Over the course of 2020 we conducted 73 targeted ESG engagements with 53 different companies and with the involvement and guidance of five specialist groups and two academics. In addition to these specialised engagements we undertook company calls and had a campaign dubbed “Project COVID” following the initial 2020 lockdown announcement. We wanted to check in with our companies to assess their working from home strategies and how well they were managing health, safety and wellbeing in the COVID era. We were able to speak to 120 companies as part of this project and were able to ascertain how well they were coping with the challenge of the pandemic.

- Montanaro are always willing to work with others to achieve sustainability goals and we keep our ear to the ground for opportunities to join forces with our peers to advance causes that effect our portfolios. One such engagement over the year in question is the Healthy Markets Initiative. We believe that companies can both benefit from and contribute to achieving healthy societies. In order to accelerate progress and address challenges, businesses need to help in the creation of a food system that works for people and improves our health through the provision of nutritious foods. We have been using the reports produced by the initiative as a basis for engagements with food companies to encourage the disclosure of the proportion of sales that are derived from healthier products and to set long-term targets to increase that share.

- During the period in question, our approach to responsible investing has been recognised with the renewal SRI label for our Better World Fund. In addition, the same fund won “Highly Commended” in the Investment Week Best ESG Fund category after winning this award in 2019.

## Next steps

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S3	CORE	N/A	N/A	PUBLIC	Next steps	GENERAL

**What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?**

Over the next two years we hope to:

- Continue the Net Zero Carbon plan to achieve our goal of becoming a carbon neutral business by 2030 and engage with our investee companies to set similar goals. One of the ways we hope to do this is through measuring our carbon footprint via Green Element.
- Achieve the SRI Label for Montanaro European Smaller Company Fund and continue with our annual attainment for the Better World Fund
- SFRD compliance
- Reaffirm our CDP commitments
- Recertify as a B Corporation
- Publish our first company level Impact Report
- Prepare our first TCFD statement
- Publish our renewed UK Stewardship Statement

## Endorsement

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S4	CORE	N/A	N/A	PUBLIC	Endorsement	GENERAL

**The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment.**

Name	Cedric Durant des Aulnois
Position	Chief Executive Officer

● This endorsement is for the Senior Leadership Statement only and is not an endorsement of the information reported by Montanaro in the various modules of the Reporting Framework. The Senior Leadership Statement is simply provided as a general overview of Montanaro's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such, and is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions.

## Organisational Overview (OO)

### Organisational information

#### Categorisation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	Signatory category	Multiple, see guidance	PUBLIC	Categorisation	GENERAL

Select the type that best describes your organisation or the services you provide.

(O) Fund management

(1) This is our only (or primary) type

#### Subsidiary information

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries that are also PRI signatories in their own right?

(A) Yes

(B) No

## Reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 3	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

Indicate the year-end date for your reporting year.

	Month	Day	Year
Reporting year end date:	December	31	2020

## Assets under management

### All asset classes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 4.1, OO 4.2	N/A	PUBLIC	All asset classes	GENERAL

What were your total assets under management (AUM) at the end of the indicated reporting year? Provide the amount in USD.

(A) AUM of your organisation, including subsidiaries	US\$ 5,200,000,000.00
(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission	US\$ 0.00
(C) AUM subject to execution, advisory, custody, or research advisory only	US\$ 0.00



## Asset breakdown

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total assets under management at the end of your indicated reporting year.

### Percentage of AUM

(A) Listed equity – internal	>75%
(B) Listed equity – external	0.0%
(C) Fixed income – internal	0.0%
(D) Fixed income – external	0.0%
(E) Private equity – internal	0.0%
(F) Private equity – external	0.0%
(G) Real estate – internal	0.0%
(H) Real estate – external	0.0%
(I) Infrastructure – internal	0.0%
(J) Infrastructure – external	0.0%
(K) Hedge funds – internal	0.0%
(L) Hedge funds – external	0.0%
(M) Forestry – internal	0.0%
(N) Forestry – external	0.0%
(O) Farmland – internal	0.0%

(P) Farmland – external	0.0%
(Q) Other – internal, please specify:	0.0%
(R) Other – external, please specify:	0.0%
(S) Off-balance sheet – internal	0.0%
(T) Off-balance sheet – external	0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2 LE	CORE	OO 5, OO 5.1	Multiple, see guidance	PUBLIC	Asset breakdown	GENERAL

**Provide a further breakdown of your listed equity assets.**

**(A) Internal allocation**

(1) Passive equity	0.0%
(2) Active – quantitative	0.0%
(3) Active – fundamental	>75%
(4) Investment trusts (REITs and similar publicly quoted vehicles)	10-50%
(5) Other, please specify:	0.0%

# ESG strategies

## Listed equity

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6 LE	CORE	OO 5.2 LE	OO 6.1 LE, LE 13	PUBLIC	Listed equity	1

Which ESG incorporation strategy and/or combination of strategies do you apply to your internally managed active listed equity?

Percentage out of total internally managed active listed equity:

(A) Screening alone	0.0%
(B) Thematic alone	0.0%
(C) Integration alone	0.0%
(D) Screening and integration	>75%
(E) Thematic and integration	0.0%
(F) Screening and thematic	0.0%
(G) All three strategies combined	0-25%
(H) None	0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6.1 LE	CORE	OO 6 LE	LE 8	PUBLIC	Listed equity	1

What type of screening is applied to your internally managed active listed equity assets?

Percentage coverage out of your total listed equities where screening strategy is applied

(A) Positive/best-in-class screening only	0.0%
(B) Negative screening only	0.0%
(C) A combination of positive/best-in-class and negative screening	>75%

## Stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9 LE	CORE	OO 5, OO 5.2 LE	Multiple, see guidance	PUBLIC	Listed equity	2

Does your organisation conduct stewardship activities for your listed equity assets?

	(1) Engagement on listed equity – active	(3) (Proxy) voting on listed equity – active
(A) Through service providers	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Through internal staff	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Collaboratively	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(E) We did not conduct this stewardship activity	<input type="checkbox"/>	<input type="checkbox"/>

# ESG incorporation

## Internally managed assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 10	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Internally managed assets	1

For each internally managed asset class, select whether or not you incorporate ESG into your investment decisions.

	(1) ESG incorporated into investment decisions	(2) ESG not incorporated into investment decisions
(C) Listed equity – active – fundamental	<input checked="" type="radio"/>	<input type="radio"/>
(D) Listed equity – investment trusts (REITs and similar publicly quoted vehicles)	<input checked="" type="radio"/>	<input type="radio"/>

# Voluntary reporting

## Voluntary modules

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 14	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Voluntary modules	GENERAL

The following modules are mandatory to report on as they account for 10% or more of your total AUM or are over USD 10 billion. The ISP (Investment and Stewardship Policy) module is always applicable for reporting.

(1) Yes, report on the module

ISP: Investment and Stewardship Policy



(A) Listed equity



## ESG/sustainability funds and products

### Labelling and marketing

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 16	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Labelling and marketing	GENERAL

What percentage of your assets under management in each asset class are ESG/sustainability marketed funds or products, and/or ESG/RI certified or labelled assets? Percentage figures can be rounded to the nearest 5% and should combine internally and externally managed assets.

Percentage

(B) Listed equity – active

0-25%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 16.1	CORE	OO 16	ISP 52	PUBLIC	Labelling and marketing	GENERAL

What percentage of your total assets (per asset class) carry a formal ESG/RI certification or label? Percentage figures can be rounded to the nearest 5%.

Coverage of ESG/RI certification or label:

(A) Listed equity

0-25%

# Climate investments

## Asset breakdown

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17	CORE	N/A	N/A	PUBLIC	Asset breakdown	GENERAL

What percentage of your assets under management is in targeted low-carbon or climate-resilient investments?

| >75%

## Other asset breakdowns

### Geographical breakdown

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

What is the geographical breakdown of your organisation's assets under management by investment destination (i.e. where the investments are located)?

#### (1) Listed equity

(A) Developed	>75%
(B) Emerging	0.0%
(C) Frontier	0.0%
(D) Other	0.0%

# Investment and Stewardship Policy (ISP)

## Responsible investment policy & governance

### Responsible investment policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 1	CORE	N/A	ISP 1.1, ISP 1.2	PUBLIC	Responsible investment policy	1

Does your organisation have a formal policy or policies covering your approach to responsible investment? Your approach to responsible investment may be set out in a standalone guideline, covered in multiple standalone guidelines or be part of a broader investment policy. Your policy may cover various responsible investment elements such as stewardship, ESG guidelines, sustainability outcomes, specific climate-related guidelines, RI governance and similar.

- (A) Yes, we do have a policy covering our approach to responsible investment
- (B) No, we do not have a policy covering our approach to responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 1.1	CORE	ISP 1	Multiple, see guidance	PUBLIC	Responsible investment policy	1

What elements does your responsible investment policy cover? The responsible investment elements may be set out in one or multiple standalone guidelines, or they may be part of a broader investment policy.

- (A) Overall approach to responsible investment
- (B) Guidelines on environmental factors
- (C) Guidelines on social factors
- (D) Guidelines on governance factors
- (E) Approach to stewardship
- (F) Approach to sustainability outcomes
- (G) Approach to exclusions
- (H) Asset class-specific guidelines that describe how ESG incorporation is implemented
- (I) Definition of responsible investment and how it relates to our fiduciary duty
- (J) Definition of responsible investment and how it relates to our investment objectives
- (K) Responsible investment governance structure



- (L) Internal reporting and verification related to responsible investment
- (M) External reporting related to responsible investment
- (N) Managing conflicts of interest related to responsible investment
- (O) Other responsible investment aspects not listed here, please specify:

The policy includes our approach to sustainability as a business as well as our responsible investment approach.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 2	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	6

Indicate which of your responsible investment policy elements are publicly available and provide links.

- (A) Overall approach to responsible investment. Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf>
- (B) Guidelines on environmental factors. Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf>
- (C) Guidelines on social factors. Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf>
- (D) Guidelines on governance factors. Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf>
- (E) Approach to stewardship. Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf>
- (F) Approach to sustainability outcomes. Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/2020-impact-report-montanaro-better-world-fund.pdf>
- (G) Approach to exclusions. Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf>
- (H) Asset class-specific guidelines that describe how ESG incorporation is implemented. Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf>
- (I) Definition of responsible investment and how it relates to our fiduciary duty. Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf>
- (J) Definition of responsible investment and how it relates to our investment objectives. Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf>
- (K) Responsible investment governance structure. Add link(s):

https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf

(L) Internal reporting and verification related to responsible investment. Add link(s):

https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf

(M) External reporting related to responsible investment. Add link(s):

https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf

(N) Managing conflicts of interest related to responsible investment. Add link(s):

https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-1.pdf

(O) Other responsible investment aspects [as specified] Add link(s):

https://montanaro.co.uk/sustainable-investing/

(P) Our responsible investment policy elements are not publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 3	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	1

**What percentage of your total assets under management are covered by your policy elements on overall approach to responsible investment and/or guidelines on environmental, social and governance factors?**

- (A) Overall approach to responsible investment
- (B) Guidelines on environmental factors
- (C) Guidelines on social factors
- (D) Guidelines on governance factors

**AUM coverage of all policy elements in total:**

>75%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 4	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	1

Which elements does your exclusion policy include?

- (A) Legally required exclusions (e.g. those required by domestic/international law, bans, treaties or embargoes)
- (B) Exclusions based on our organisation's values or beliefs (e.g. regarding weapons, alcohol, tobacco and/or avoiding other particular sectors, products, services or regions)
- (C) Exclusions based on screening against minimum standards of business practice based on international norms (e.g. OECD guidelines, the UN Human Rights Declaration, Security Council sanctions or the UN Global Compact)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 5	CORE	Multiple, see guidance	N/A	PUBLIC	Responsible investment policy	1

What percentage of your total assets under management are covered by your asset class-specific guidelines that describe how ESG incorporation is implemented?

AUM Coverage:

(A) Listed Equity >75%

## Governance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 6	CORE	N/A	ISP 8	PUBLIC	Governance	1

Do your organisation's board, chief-level staff, investment committee and/or head of department have formal oversight and accountability for responsible investment?

- (A) Board and/or trustees
- (B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))
- (C) Investment committee
- (D) Other chief-level staff, please specify:

Sustainability Committee with 6 members from different departments

(E) Head of department, please specify department:

Head of Sustainability and Head of Investments

(F) None of the above roles have oversight and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 7	CORE	N/A	ISP 8	PUBLIC	Governance	1

**In your organisation, which internal or external roles have responsibility for implementing responsible investment?**

(A) Board and/or trustees

(B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))

(C) Investment committee

(D) Other chief-level staff [as specified]

(E) Head of department [as specified]

(F) Portfolio managers

(G) Investment analysts

(H) Dedicated responsible investment staff

(I) Investor relations

(J) External managers or service providers

(K) Other role, please specify:

Sustainability Committee

(L) Other role, please specify:

(M) We do not have roles with responsibility for implementing responsible investment.

## People and capabilities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8	CORE	ISP 6, ISP 7	ISP 8.1, ISP 8.2	PUBLIC	People and capabilities	General

**What formal objectives for responsible investment do the roles in your organisation have?**

	(1) Board and/or trustees	(2) Chief-level staff	(3) Investment committee	(4) Other chief-level staff [as specified]	(5) Head of department [as specified]
(A) Objective for ESG incorporation in investment activities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Objective for ESG performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(E) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(F) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(G) No formal objectives for responsible investment exist for this role	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(6) Portfolio managers	(7) Investment analysts	(8) Dedicated responsible investment staff	(10) External managers or service providers	(11) Other role
(A) Objective for ESG incorporation in investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(D) Objective for ESG performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(E) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(F) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(G) No formal objectives for responsible investment exist for this role	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8.2	CORE	ISP 8	N/A	PUBLIC	People and capabilities	General

Which responsible investment objectives are linked to variable compensation for roles in your organisation?

RI objectives linked to variable compensation for roles in your organisation:

(1) Board and/or trustees

(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>
(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>

**(2) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))**

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(A) Objective for ESG incorporation in investment activities

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(B) Objective for contributing to the development of the organisation's ESG incorporation approach

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(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

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**(3) Investment committee**

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(A) Objective for ESG incorporation in investment activities

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**(4) Other chief-level staff**

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(A) Objective for ESG incorporation in investment activities

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(B) Objective for contributing to the development of the organisation's ESG incorporation approach

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(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

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**(5) Head of department**

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(A) Objective for ESG incorporation in investment activities

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(B) Objective for contributing to the development of the organisation's ESG incorporation approach

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(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

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**(6) Portfolio managers**

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(A) Objective on ESG incorporation in investment activities

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(B) Objective for contributing to the development of the organisation's ESG incorporation approach

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(D) Objective for ESG performance

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**(7) Investment analysts**

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(A) Objective for ESG incorporation in investment activities

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(B) Objective for contributing to the development of the organisation's ESG incorporation approach

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(D) Objective for ESG performance

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**(8) Dedicated responsible investment staff**

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(A) Objective for ESG incorporation in investment activities

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(B) Objective for contributing to the development of the organisation's ESG incorporation approach

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(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

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(D) Objective for ESG performance

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(G) We have not linked any RI objectives to variable compensation

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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 9	CORE	N/A	N/A	PUBLIC	People and capabilities	General

**How frequently does your organisation assess the responsible investment capabilities and training needs among your investment professionals?**

- (A) Quarterly or more frequently
- (B) **Bi-annually**
- (C) Annually
- (D) Less frequently than annually
- (E) On an ad hoc basis
- (F) We do not have a process for assessing the responsible investment capabilities and training needs among our investment professionals

## Strategic asset allocation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 10	CORE	N/A	ISP 10.1	PUBLIC	Strategic asset allocation	1

**Does your organisation incorporate ESG factors into your strategic asset allocation?**

- (A) We incorporate ESG factors into calculations for expected risks and returns of asset classes
- (B) We specifically incorporate physical, transition and regulatory changes related to climate change into calculations for expected risks and returns of asset classes
- (C) No, we do not incorporate ESG considerations into our strategic asset allocation
- (D) **Not applicable, we do not have a strategic asset allocation process**

# Stewardship

## Stewardship policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 11	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship policy	2

What percentage of your assets under management does your stewardship policy cover?

(A) Listed equity	>75%
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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 12	CORE	ISP 1.1	ISP 12.1	PUBLIC	Stewardship policy	2

Which elements does your organisation's stewardship policy cover? The policy may be a standalone guideline or part of a wider RI policy.

- (A) Key stewardship objectives
- (B) Prioritisation approach of ESG factors and their link to engagement issues and targets
- (C) Prioritisation approach depending on entity (e.g. company or government)
- (D) Specific approach to climate-related risks and opportunities
- (E) Stewardship tool usage across the organisation, including which, if any, tools are out of scope and when and how different tools are used and by whom (e.g. specialist teams, investment teams, service providers, external investment managers or similar)
- (F) Stewardship tool usage for specific internal teams (e.g. specialist teams, investment teams or similar)
- (G) Stewardship tool usage for specific external teams (e.g. service providers, external investment managers or similar)
- (H) Approach to collaboration on stewardship
- (I) Escalation strategies
- (J) Conflicts of interest
- (K) Details on how the stewardship policy is implemented and which elements are mandatory, including how and when the policy can be overruled
- (L) How stewardship efforts and results should be communicated across the organisation to feed into investment decision-making and vice versa
- (M) None of the above elements are captured in our stewardship policy

## Stewardship policy implementation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 13	CORE	ISP 1.1	N/A	PUBLIC	Stewardship policy implementation	2

How is your stewardship policy primarily applied?

- (A) It requires our organisation to take certain actions
- (B) It describes default actions that can be overridden (e.g. by investment teams for certain portfolios)
- (C) It creates permission for taking certain measures that are otherwise exceptional
- (D) We have not developed a uniform approach to applying our stewardship policy

## Stewardship objectives

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 15	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship objectives	2

For the majority of assets within each asset class, which of the following best describes your primary stewardship objective?

### (1) Listed equity

(A) Maximise the risk–return profile of individual investments	<input type="radio"/>
(B) Maximise overall returns across the portfolio	<input type="radio"/>
(C) Maximise overall value to beneficiaries/clients	<input checked="" type="radio"/>
(D) Contribute to shaping specific sustainability outcomes (i.e. deliver impact)	<input type="radio"/>

## Stewardship prioritisation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 16	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship prioritisation	2

What key criteria does your organisation use to prioritise your engagement targets? For asset classes such as real estate, private equity and infrastructure, you may consider this as key criteria to prioritise actions taken on ESG factors for assets, portfolio companies and/or properties in your portfolio. Select up to 3 options per asset class from the list.

### (1) Listed equity

(A) The size of our holdings in the entity or the size of the asset, portfolio company and/or property	<input type="checkbox"/>
(B) The materiality of ESG factors on financial and/or operational performance	<input checked="" type="checkbox"/>
(C) Specific ESG factors with systemic influence (e.g. climate or human rights)	<input checked="" type="checkbox"/>
(D) The ESG rating of the entity	<input checked="" type="checkbox"/>
(E) The adequacy of public disclosure on ESG factors/performance	<input checked="" type="checkbox"/>
(F) Specific ESG factors based on input from clients	<input checked="" type="checkbox"/>
(G) Specific ESG factors based on input from beneficiaries	<input type="checkbox"/>
(H) Other criteria to prioritise engagement targets, please specify:	<input checked="" type="checkbox"/>

(I) We do not prioritise our engagement targets

Please specify for "(H) Other criteria to prioritise engagement targets".

We can become aware of issues that require engagement through a number of sources. This includes our proprietary ESG research and scoring and also company meetings and site visits also provide us with an opportunity to discover whether an issue exists that requires engagement. In addition to this we also monitor company news flow, through the information provider Factiva as well as more mainstream news sources.

## Collaborative stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 18	CORE	Multiple, see guidance	ISP 18.1	PUBLIC	Collaborative stewardship	2

Which of the following best describes your organisation's default position, or the position of the service providers/external managers acting on your behalf, with regards to collaborative stewardship efforts such as collaborative engagements?

- (A) We recognise that stewardship suffers from a collective action problem, and, as a result, we actively prefer collaborative efforts
- (B) We collaborate when our individual stewardship efforts have been unsuccessful or are likely to be unsuccessful, i.e. as an escalation tool
- (C) We collaborate in situations where doing so would minimise resource cost to our organisation
- (D) We do not have a default position but collaborate on a case-by-case basis
- (E) We generally do not join collaborative stewardship efforts

## Escalation strategies

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 20	CORE	Multiple, see guidance	N/A	PUBLIC	Escalation strategies	2

If initial stewardship approaches were deemed unsuccessful, which of the following measures are excluded from the potential escalation actions of your organisation or those of the service providers/external managers acting on your behalf?

(1) Listed equity

(A) Collaboratively engaging the entity with other investors

(B) Filing/co-filing/submitting a shareholder resolution or proposal	<input type="checkbox"/>
(C) Publicly engaging the entity (e.g. open letter)	<input type="checkbox"/>
(D) Voting against the re-election of one or more board directors	<input type="checkbox"/>
(E) Voting against the chair of the board of directors	<input type="checkbox"/>
(F) Voting against the annual financial report	<input type="checkbox"/>
(G) Divesting or implementing an exit strategy	<input type="checkbox"/>
(H) We do not have any restrictions on the escalation measures we can use	<input checked="" type="checkbox"/>

## Engaging policymakers

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 23	CORE	N/A	Multiple, see guidance	PUBLIC	Engaging policymakers	2

**How does your organisation, or the external investment managers or service providers acting on your behalf, engage with policymakers for a more sustainable financial system?**

- (A) We engage with policymakers directly
- (B) We provide financial support, are members of and/or are in another way affiliated with third-party organisations, including trade associations and non-profit organisations, that engage with policymakers
- (C) We do not engage with policymakers directly or indirectly

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 23.1	CORE	ISP 23	N/A	PUBLIC	Engaging policymakers	2

What methods do you, or the external investment managers or service providers acting on your behalf, use to engage with policymakers for a more sustainable financial system?

(A) We participate in "sign-on" letters on ESG policy topics. Describe:

As part of our ESG integration and stewardship activities we co-sign letters to policy makers to add our voice to groups of concerned investors wishing to urge policy makers to make the changes necessary to put the world on a sustainable path. The most recent example of this was our work with other B Corporations to engage with the UK Government ahead of COP 26.

(B) We respond to policy consultations on ESG policy topics. Describe:

We have done so in the past and are always willing to participate. We view engagement with policymakers as a critical risk management tool. However, as a boutique asset manager, we notice that we are sometimes not approached for consultation which serves to limit our opportunities to contribute to public policy engagements. Recent examples include topics of governance and stewardship and were in response to the Financial Reporting Council.

(C) We provide technical input on ESG policy change. Describe:

(D) We proactively engage financial regulators on financial regulatory topics regarding ESG integration, stewardship, disclosure or similar. Describe:

(E) We proactively engage regulators and policymakers on other policy topics. Describe:

We have contacted the UK Climate Change Commission on the UK path to Net Zero and the policies that underpin this transition.

(F) Other methods used to engage with policymakers. Describe:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 23.2	CORE	ISP 23	N/A	PUBLIC	Engaging policymakers	2

Do you have governance processes in place (e.g. board accountability and oversight, regular monitoring and review of relationships) that ensure your policy activities, including those through third parties, are aligned with your position on sustainable finance and your commitment to the 6 Principles of the PRI?

(A) Yes, we have governance processes in place to ensure that our policy activities are aligned with our position on sustainable finance and our commitment to the 6 Principles of the PRI. Describe your governance processes:

The monitoring and application of Montanaro's stewardship responsibilities begins with our Board, which is led by our Board Chair and Founder Charles Montanaro. As part of our B Corporation certification, the Board has a legal requirement – enshrined in Montanaro's Articles of Association – to consider the impact of our business on all stakeholders. The Board monitors Montanaro's approach to stewardship, including company level targets and responsibilities (e.g. Montanaro's Net Zero Carbon 2030 target and Montanaro's charitable commitments) and those embedded within the services we provide to our clients (e.g. ESG in the investment process). The Board also sets targets for the company to achieve, such as the attainment of B Corporation certification in 2019. Importantly, such initiatives have the full support of Montanaro's owner. Montanaro is a private, family-owned boutique. Senior Leadership: Senior members of Montanaro's team have day-to-day responsibility for ensuring that fulfilment of our stewardship responsibilities. These responsibilities are described in respective job descriptions; embedded within annual appraisals; and influence remuneration decisions.

Key roles include:

-Chief Executive Officer - ensures that MAM's approach to stewardship and sustainable investing remains embedded throughout our organisation.

-Chairman of the Sustainability Committee - chairs quarterly meetings of the Sustainability Committee.

-Head of Investments - ensures that MAM's stewardship commitments are integrated and acted upon in our investment process.

-Head of Sustainable Investment - ensures the development of MAM's sustainable investment approach, including the formulation of ESG Policies and ESG Checklists; the directing of engagement and voting activity; and the achievement of Montanaro's corporate sustainability commitments.

Oversight of Montanaro's stewardship activities is provided by two Montanaro Committees: the Sustainability Committee and the Executive Committee.

The Sustainability Committee has three main functions:

1) To ensure that Montanaro's ESG and sustainable investment approach remains fully integrated into our investment process and continues to develop in line with "best practice";

2) To oversee MAM's corporate stewardship responsibilities, such as our responsibilities as a B Corporation; and

3) To assess and vote on the impact credentials of potential investments for The Better World Fund (our positive impact Fund). The Committee meets on a quarterly basis and is chaired by an experienced member of the team who has many years of experience of working in the Sustainable Investment space. Meetings have a set agenda and formal minutes are taken, which are available to clients upon request.

Montanaro's Executive Committee – comprised of the Chairman, Chief Executive Officer, Head of Investments, Head of Compliance, and Head of Fund Management – meets on a quarterly basis to review the full operations of Montanaro's business. This includes a review of the Sustainability Committee, including sign-off of Sustainability Committee meeting minutes.

Our full policy can be found in our ESG handbook which is published on the MAM website.

o (B) No, we do not have these governance processes in place. Please explain why not:



## Engaging policymakers – Policies

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 24	CORE	ISP 23	ISP 24.1	PUBLIC	Engaging policymakers – Policies	2

Do you have policies in place that ensure that your political influence as an organisation is aligned with your position on sustainable finance and your commitment to the 6 Principles of the PRI?

(A) Yes, we have a policy(ies) in place. Describe your policy(ies):

(B) No, we do not a policy(ies) in place. Please explain why not:

As a boutique asset manager, we do not identify political influence to be a significant risk that may compromise our position on sustainability.

## Engaging policymakers – Transparency

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 25	CORE	ISP 23	N/A	PUBLIC	Engaging policymakers – Transparency	2

During the reporting year, did your organisation publicly disclose your policy engagement activities or those conducted on your behalf by external investment managers/service providers?

(A) We publicly disclosed details of our policy engagement activities. Add link(s):

<https://montanaro.co.uk/news-and-views/>

(B) We publicly disclosed a list of our third-party memberships in or support for trade associations, think-tanks or similar that conduct policy engagement activities with our support or endorsement. Add link(s):

<https://montanaro.co.uk/sustainable-investing/>

(C) No, we did not publicly disclose our policy engagements activities during the reporting year. Explain why:

(D) Not applicable, we did not conduct policy engagement activities

# Climate change

## Public support

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 26	CORE	N/A	N/A	PUBLIC	Public support	General

Does your organisation publicly support the Paris Agreement?

(A) Yes, we publicly support the Paris Agreement Add link(s) to webpage or other public document/text expressing support for the Paris Agreement:

<https://montanaro.co.uk/sustainable-investing/#Environmental-policy>

(B) No, we currently do not publicly support the Paris Agreement

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 27	CORE	N/A	N/A	PUBLIC	Public support	General

Does your organisation publicly support the Task Force on Climate-Related Financial Disclosures (TCFD)?

(A) Yes, we publicly support the TCFD Add link(s) to webpage or other public document/text expressing support for the TCFD:

<https://montanaro.co.uk/sustainable-investing/#Environmental-policy>

(B) No, we currently do not publicly support the TCFD

## Governance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 28	CORE	N/A	N/A	PUBLIC	Governance	General

### How does the board or the equivalent function exercise oversight over climate-related risks and opportunities?

(A) By establishing internal processes through which the board or the equivalent function are informed about climate-related risks and opportunities. Specify:

The Sustainability Committee meet on a quarterly basis and are tasked with monitoring and developing the MAM sustainable investment approach and the sustainability of the business as a whole. Climate related-risks and opportunities form an important part of the responsibilities of this committee and as a consequence the reporting of how these risks are managed and opportunities identified is an essential function. Montanaro's Executive Committee – comprised of the Chairman, Chief Executive Officer, Head of Investments, Head of Compliance, and Head of Fund Management – meets on a quarterly basis to review the full operations of Montanaro's business. This includes a review of the Sustainability Committee, including sign-off of Sustainability Committee meeting minutes.

(B) By articulating internal/external roles and responsibilities related to climate. Specify:

(C) By engaging with beneficiaries to understand how their preferences are evolving with regard to climate change. Specify:

(D) By incorporating climate change into investment beliefs and policies. Specify:

Our ethical and environmental policies form an essential part of our risk management process and enable the investment team to identify quality businesses that are suitable for long term investment.

(E) By monitoring progress on climate-related metrics and targets. Specify:

A significant development in 2020 was the appointment of Green Element, an environmental consultant, which is helping us to collect the necessary data needed for an appraisal of Montanaro's carbon footprint. This will help define a roadmap to reach carbon neutrality by 2030.

In addition, as part of our B Corporation commitments, our Board of Directors published their first Impact Report, detailing the progress made during the year across MAM's various sustainability initiatives, including our charitable donations and net zero carbon goal.

At the Executive level, we have also begun to consider how Montanaro's Executives could have remuneration aligned more directly with the achievement of certain sustainability objectives. This is something we are engaging on with many of our investee companies and it is right that we also consider doing this.

At the investment level, we undertook a major redevelopment of our ESG Checklists to place a greater emphasis on environmental and social data points, allowing us to better understand the strengths and weaknesses of our companies in this area. The new Checklist will be rolled out in 2021 across the companies on our Approved List.

(F) By defining the link between fiduciary duty and climate risks and opportunities. Specify:

Consideration of the risks and opportunities posed by climate change forms an integral part of our investment process. ESG has been integrated into our investment process for more than a decade. Our Analysts conduct ESG analysis as part of fundamental company research. ESG is crucial to our view of a company's Quality.

(G) Other measures to exercise oversight, please specify:

(H) The board or the equivalent function does not exercise oversight over climate-related risks and opportunities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 29	CORE	N/A	N/A	PUBLIC	Governance	General

**What is the role of management in assessing and managing climate-related risks and opportunities?**

**(A) Management is responsible for identifying climate-related risks/opportunities and reporting them back to the board or the equivalent function. Specify:**

Senior members of Montanaro’s team have day-to-day responsibility for ensuring that fulfilment of our responsibilities with regards to climate change. These responsibilities are described in respective job descriptions; embedded within annual appraisals; and influence remuneration decisions. Oversight of Montanaro’s climate-related activities is provided by two Montanaro Committees: the Sustainability Committee and the Executive Committee– comprised of the Chairman, Chief Executive Officer, Head of Investments, Head of Compliance, and Head of Fund Management

**(B) Management implements the agreed-upon risk management measures. Specify:**

Depending on the role, management will implement our strategies in different ways. Key roles include:

- Chief Executive Officer - ensures that MAM’s approach to climate change and sustainable investing remains embedded throughout our organisation.
- Chairman of the Sustainability Committee - chairs quarterly meetings of the Sustainability Committee.
- Head of Investments - ensures that MAM’s commitments are integrated and acted upon in our investment process.
- Head of Sustainable Investment - ensures the development of MAM’s sustainable investment approach, including the formulation of ESG Policies and ESG Checklists; the directing of engagement and voting activity; and the achievement of Montanaro’s corporate sustainability commitments.

**(C) Management monitors and reports on climate-related risks and opportunities. Specify:**

We report annually as part of our impact reporting. Two of our investment themes for our Better World Fund are Environmental Protection and Green Economy. All senior management roles contribute to the production of this report through monitoring and compiling relevant data throughout the year which allows us to document our efforts as a firm accurately.

**(D) Management ensures adequate resources, including staff, training and budget, are available to assess, implement and monitor climate-related risks/opportunities and measures. Specify:**

Management allocates a training budget and sponsor staff through industry qualifications, such as the CFA’s ESG Certificate which was launched in 2020. We run regular training sessions for members of our team that are led internally or with the assistance of outside experts. Training is designed to develop technical investment skills and bond the team via constructive debate. These sessions encourage collective ownership of the investment process.

A training session in 2020 focused on understanding the requirements of our redeveloped ESG Checklists and the analysis of environmental and social data points. We have also run a session on the UN Sustainable Development Goals and how the framework can assist the identification of positive impact stocks. In 2021, we have scheduled training sessions focused on Climate Change and Carbon, further enhancing our analysis of environmental factors.

(E) Other roles management takes on to assess and manage climate-related risks/opportunities, please specify:

(F) Our management does not have responsibility for assessing and managing climate-related risks and opportunities

# Strategy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 30	CORE	N/A	Multiple, see guidance	PUBLIC	Strategy	General

**Which climate-related risks and opportunities has your organisation identified within its investment time horizon(s)?**

**(A) Specific financial risks in different asset classes. Specify:**

We consider how well companies manage climate risks as intrinsically linked to their quality. This is why we conduct an environmental checklist for every company as part of our investment process. This allows us to identify climate-related risks that may have an adverse effect on financial performance.

**(B) Specific sectors and/or assets that are at risk of being stranded. Specify:**

There are some companies that we will not consider investing in. Typically this is where they are involved in operations that we deem detrimental to wider society. It is for this reason that we do not invest in companies involved in the exploration and production of fossil fuels. Our stance in these areas forms part of our commitment to our fellow stakeholders and helps to foster a longer-term perspective in the asset management industry and avoid the risk of stranded assets.

**(C) Assets with exposure to direct physical climate risk. Specify:**

As equity investors, we consider the effect of physical climate change on the assets held by our investee businesses. We will consider the risks associated with those companies that have operations in regions that experience extreme weather events and the steps they are taking to mitigate and adapt.

**(D) Assets with exposure to indirect physical climate risk. Specify:**

We will evaluate the supply chains of our investee companies and to see how exposed they are to the physical effects of climate change and what steps they are taking to address these risks.

**(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios. Specify:**

Our environmental policy means we evaluate the climate footprint of every company on our approved list when determining the eligibility for investment. Those that are well positioned to benefit from the opportunities offered by a transition to a low-carbon economy are favoured. We also use the UN Global Compact Principles as part of our analysis, three of the ten UN Global Compact Principles are dedicated to the environment. These state that companies should “support a precautionary approach to environmental challenges...promote greater environmental responsibility...and encourage the development...of environmentally friendly technology”. In addition, we encourage companies to continue improving their levels of environmental reporting.

**(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals. Specify:**

The Montanaro Better World Fund (and other portfolios totalling 19% of AUM) invest in quoted global-developed Small & MidCap companies that make a positive impact in the world. Companies within the Fund must have at least 50% of revenue aligned to six impact themes which support the UN Sustainable Development Goals. Our impact themes that have been selected for the achievement of climate goals are: Environmental Protection and Green Economy. These investment themes help us to identify companies whose products or services can help to solve some of the major climate-related challenges facing the world.

(G) Other climate-related risks and opportunities identified. Specify:

(H) We have not identified specific climate-related risks and opportunities within our organisation's investment time horizon

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 30.1	CORE	ISP 30	N/A	PUBLIC	Strategy	General

For each of the identified climate-related risks and opportunities, indicate within which investment time-horizon they were identified.

	(1) 3–5 months	(2) 6 months to 2 years	(3) 2–4 years	(4) 5–10 years
(A) Specific financial risks in different asset classes [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Specific sectors and/or assets that are at risk of being stranded [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Assets with exposure to direct physical climate risk [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Assets with exposure to indirect physical climate risk [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	(5) 11–20 years	(6) 21–30 years	(7) >30 years	
(A) Specific financial risks in different asset classes [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

(B) Specific sectors and/or assets that are at risk of being stranded [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) Assets with exposure to direct physical climate risk [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(D) Assets with exposure to indirect physical climate risk [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 31	CORE	N/A	N/A	PUBLIC	Strategy	General

**Which climate-related risks and opportunities has your organisation identified beyond its investment time horizon(s)?**

**(A) Specific financial risks in different asset classes. Specify:**

We are long term equity investors and consider our time horizon to be five to ten years. We acknowledge that climate change is a systemic risk and as a consequence is likely to affect asset classes beyond those in which we invest and the effects are likely to be seen beyond our time horizon.

**(B) Specific sectors and/or assets that are at risk of being stranded. Specify:**

The physical risks of climate change are likely to emerge over longer time frames. Therefore if we identify businesses with exposure to areas that might be at risk, we use engagement as a tool to encourage a transition away from such activities. Therefore, the companies in question are reducing their risk of exposure to stranded assets even if this only emerges post our divestment.

**(C) Assets with exposure to direct physical climate risk. Specify:**

Engagement is our key strategy when it comes to addressing risks identified. The physical risks of climate change that may emerge after we have sold the stock are nevertheless important to address. We always consider the how a company is improving from a sustainability point of view and will engage to ensure that a positive trajectory is maintained. This is particularly important when investee companies are directly threatened by the physical effects of climate change

**(D) Assets with exposure to indirect physical climate risk. Specify:**

We expect all investee companies to assiduously monitor their supply chains. We impress upon our companies the importance of managing environmental risks throughout their supply chains. We ensure that companies are adapting to and mitigating against the physical effects of climate change throughout their supply chains and expect that the trajectory of improvement will continue beyond our investment time horizon.

- (E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios. Specify:
- (F) Specific sectors and/or assets that contribute significantly to achieving our climate goals. Specify:
- (G) Other climate-related risks and opportunities identified, please specify:
- (H) We have not identified specific climate-related risks and opportunities beyond our organisation's investment time horizon

## Strategy: Scenario analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 33	CORE	N/A	ISP 33.1	PUBLIC	Strategy: Scenario analysis	General

Does your organisation use scenario analysis to assess climate-related investment risks and opportunities? Select the range of scenarios used.

- (A) An orderly transition to a 2°C or lower scenario
- (B) An abrupt transition consistent with the Inevitable Policy Response
- (C) A failure to transition, based on a 4°C or higher scenario
- (D) Other climate scenario, specify:
- (E) We do not use scenario analysis to assess climate-related investment risks and opportunities

## Sustainability outcomes

### Set policies on sustainability outcomes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 40	CORE	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

Where is your approach to sustainability outcomes set out? Your policy/guideline may be a standalone document or part of a wider responsible investment policy.

- (A) Our approach to sustainability outcomes is set out in our responsible investment policy
- (B) Our approach to sustainability outcomes is set out in our exclusion policy
- (C) Our approach to sustainability outcomes is set out in our stewardship policy
- (D) Our approach to sustainability outcomes is set out in asset class-specific investment guidelines



(E) Our approach to sustainability outcomes is set out in separate guidelines on specific outcomes (e.g. the SDGs, climate or human rights)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 41	CORE	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

Which global or regionally recognised frameworks do your policies and guidelines on sustainability outcomes refer to?

- (A) The SDG goals and targets
- (B) The Paris Agreement
- (C) The UN Guiding Principles on Business and Human Rights
- (D) The OECD Guidelines for Multinational Enterprises, including guidance on Responsible Business Conduct for Institutional Investors
- (E) Other frameworks, please specify:
- (F) Other frameworks, please specify:

## Identify sustainability outcomes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 43	CORE	N/A	Multiple, see guidance	PUBLIC	Identify sustainability outcomes	1

Has your organisation identified the intended and unintended sustainability outcomes from any of its activities?

- (A) No, we have not identified the sustainability outcomes from our activities
- (B) Yes, we have identified one or more sustainability outcomes from some or all of our activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 44	CORE	ISP 43	ISP 44.1	PUBLIC	Identify sustainability outcomes	1

What frameworks/tools did your organisation use to identify the sustainability outcomes from its activities? Indicate the tools or frameworks you have used to identify and map some or all of your sustainability outcomes.

- (A) The UN Sustainable Development Goals (SDGs) and targets
- (B) The Paris Agreement
- (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (D) The OECD Guidelines for Multinational Enterprises, including guidance on Responsible Business Conduct for Institutional Investors
- (E) The EU Taxonomy
- (F) Other taxonomies (e.g. similar to the EU Taxonomy), please specify:
- (G) Other framework/tool, please specify:
- (H) Other framework/tool, please specify:
- (I) Other framework/tool, please specify:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 44.1	CORE	ISP 44	N/A	PUBLIC	Identify sustainability outcomes	1

At what level(s) did your organisation identify the sustainability outcomes from its activities?

- (A) At the asset level
- (B) At the economic activity level
- (C) At the company level
- (D) At the sector level
- (E) At the country/region level
- (F) At the global level
- (G) Other level(s), please specify:
- (H) We do not track at what level(s) our sustainability outcomes were identified

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 45	CORE	ISP 43	SO 1	PUBLIC	Identify sustainability outcomes	1

How has your organisation determined your most important sustainability outcome objectives?

- (A) Identifying sustainability outcomes that are closely linked to our core investment activities
- (B) Consulting with key clients and/or beneficiaries to align with their priorities
- (C) Assessing the potential severity (e.g. probability and amplitude) of specific negative outcomes over different timeframes
- (D) Focusing on the potential for systemic impacts (e.g. due to high level of interconnectedness with other global challenges)
- (E) Evaluating the potential for certain outcome objectives to act as a catalyst/enabler to achieve a broad range of goals (e.g. gender or education)
- (F) Analysing the input from different stakeholders (e.g. affected communities, civil society or similar)
- (G) Understanding the geographical relevance of specific sustainability outcome objectives
- (H) Other method, please specify:
- (I) We have not yet determined our most important sustainability outcome objectives

## Transparency & Confidence-Building Measures

### Information disclosed – ESG assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 46	CORE	OO 16	N/A	PUBLIC	Information disclosed – ESG assets	6

For the majority of your ESG/sustainability marketed funds or products, and/or your ESG/RI certified or labelled assets, what information about your ESG approach do you (or the external investment managers/service providers acting on your behalf) include in material shared with clients, beneficiaries and/or the public? The material may be marketing material, information targeted towards existing or prospective clients or information for beneficiaries.

- (A) A commitment to responsible investment (e.g. that we are a PRI signatory)
- (B) Industry-specific and asset class-specific standards that we align with (e.g. TCFD, or GRESB for property and infrastructure)
- (C) Our responsible investment policy (at minimum a summary of our high-level approach)
- (D) A description of our investment process and how ESG is considered
- (E) ESG objectives of individual funds
- (F) Information about the ESG benchmark(s) that we use to measure fund performance
- (G) Our stewardship approach
- (H) A description of the ESG criteria applied (e.g. sectors, products, activities, ratings and similar)

- (I) The thresholds for the ESG criteria applied in our investment decisions or universe construction
- (J) A list of our main investments and holdings
- (K) ESG case study/example from existing fund(s)
- (L) We do not include our approach to ESG in material shared with clients/beneficiaries/the public for the majority of our ESG/sustainability marketed funds or products, and/or our ESG/RI certified or labelled assets

## Client reporting – ESG assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 48	CORE	Multiple, see guidance	N/A	PUBLIC	Client reporting – ESG assets	6

What ESG information is included in your client reporting for the majority of your ESG/sustainability marketed funds or products, and/or your ESG/RI certified or labelled assets?

- (A) Qualitative analysis, descriptive examples or case studies
- (B) Quantitative analysis or key performance indicators (KPIs) related to ESG performance
- (C) Progress on our sustainability outcome objectives
- (D) Stewardship results
- (E) Information on ESG incidents, where applicable
- (F) Analysis of ESG contribution to portfolio financial performance
- (G) We do not include ESG information in client reporting for the majority of our ESG/sustainability marketed funds or products, and/or our ESG/RI certified or labelled assets

## Information disclosed – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 49	CORE	N/A	N/A	PUBLIC	Information disclosed – All assets	6

For the majority of your total assets under management, what information about your ESG approach do you (or the external managers/service providers acting on your behalf) include in material shared with clients, beneficiaries and/or the public? The material may be marketing material, information targeted towards existing or prospective clients or information for beneficiaries.

- (A) A commitment to responsible investment (e.g. that we are a PRI signatory)
- (B) Industry-specific and asset class-specific standards that we align with (e.g. TCFD, or GRESB for property and infrastructure)
- (C) Our responsible investment policy (at minimum a summary of our high-level approach)
- (D) A description of our investment process and how ESG is considered
- (E) ESG objectives of individual funds
- (F) Information about the ESG benchmark(s) that we use to measure fund performance

- (G) Our stewardship approach
- (H) A description of the ESG criteria applied (e.g. sectors, products, activities, ratings and similar)
- (I) The thresholds for the ESG criteria applied in our investment decisions or universe construction
- (J) A list of our main investments and holdings
- (K) ESG case study/example from existing fund(s)
- (L) We do not include our approach to ESG in material shared with clients/beneficiaries/the public for the majority of our assets under management

## Client reporting – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 50	CORE	Multiple, see guidance	N/A	PUBLIC	Client reporting – All assets	6

What ESG information is included in your client reporting for the majority of your assets under management?

- (A) Qualitative ESG analysis, descriptive examples or case studies
- (B) Quantitative analysis or key performance indicators (KPIs) related to ESG performance
- (C) Progress on our sustainability outcome objectives
- (D) Stewardship results
- (E) Information on ESG incidents where applicable
- (F) Analysis of ESG contribution to portfolio financial performance
- (G) We do not include ESG information in client reporting for the majority of our assets under management

## Frequency of client reporting – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 51	CORE	Multiple, see guidance	N/A	PUBLIC	Frequency of client reporting – All assets	6

For the majority of each asset class, how frequently do you report ESG-related information to your clients?

(A) Listed equity

(1) Quarterly

## Confidence-building measures

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 52	CORE	OO 16.1	Multiple, see guidance	PUBLIC	Confidence-building measures	6

**What verification has your organisation had regarding the information you have provided in your PRI Transparency Report this year?**

- (A) We received third-party independent assurance of selected processes and/or data related to our responsible investment processes, which resulted in a formal assurance conclusion
- (B) We conducted a third-party readiness review and are making changes to our internal controls/governance or processes to be able to conduct an external assurance next year
- (C) The internal audit function team performed an independent audit of selected processes/and or data related to our responsible investment processes reported in this PRI report
- (D) **Our board, CEO, other C-level equivalent and/or investment committee has signed off on our PRI report**
- (E) **Some or all of our funds have been audited as part of the certification process against a sustainable investment/RI label**
- (F) We conducted an external ESG audit of our ESG/sustainability marketed funds or products (excluding ESG/RI certified or labelled assets)
- (G) We conducted an external ESG audit of our holdings to check that our funds comply with our RI policy (e.g. exclusion list or investee companies in portfolio above certain ESG rating)
- (H) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- (I) **Responses related to our RI practices documented in this report have been internally reviewed before submission to the PRI**
- (J) None of the above

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 58	CORE	ISP 52	N/A	PUBLIC	Confidence-building measures	6

**Who has reviewed/verified the entirety of or selected data from your PRI report?**

(A) Board and/or trustees	(3) parts of the report
(B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))	(3) parts of the report
(C) Investment committee	(3) parts of the report

(D) Other chief-level staff, please specify: Chairman of the Sustainability Committee	(1) the entire report
(E) Head of department, please specify: Head of Research Head of Sustainability	(3) parts of the report
(F) Compliance/risk management team	(4) report not reviewed
(G) Legal team	(4) report not reviewed
(H) RI/ ESG team	(1) the entire report
(I) Investment teams	(3) parts of the report

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 59	CORE	ISP 52	N/A	PUBLIC	Confidence-building measures	6

**Which of the following ESG/RI certifications or labels do you hold?**

- (A) Commodity type label (e.g. BCI)
- (B) GRESB
- (C) Austrian Ecolabel (UZ49)
- (D) **B Corporation**
- (E) BREEAM
- (F) CBI Climate Bonds Standard
- (G) EU Ecolabel
- (H) EU Green Bond Standard
- (I) Febelfin label (Belgium)
- (J) FNG-Siegel Ecolabel (Germany, Austria and Switzerland)
- (K) Greenfin label (France)
- (L) ICMA Green Bond Principles
- (M) **Le label ISR (French government SRI label)**
- (N) Luxflag Climate Finance
- (O) Luxflag Environment
- (P) Luxflag ESG
- (Q) Luxflag Green Bond
- (R) Luxflag Microfinance
- (S) **National stewardship code (e.g. UK or Japan), please specify:**  
UK stewardship code
- (T) Nordic Swan Ecolabel

- (U) Other SRI label based on EUROSIF SRI Transparency Code (e.g. Novethic), please specify:
- (V) People's Bank of China green bond guidelines
- (W) RIAA (Australia)
- (X) Towards Sustainability label (Belgium)
- (Y) Other, please specify:

# Listed Equity (LE)

## Pre-investment phase

### Materiality analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 1	CORE	OO 10	LE 1.1	PUBLIC	Materiality analysis	1

Does your organisation have a formal investment process to identify material ESG factors across listed equities?

	(3) Active – fundamental	(4) Investment trusts (REITs and similar publicly quoted vehicles)
(A) Yes, we have a formal process to identify material ESG factors for all of our assets	<input checked="" type="radio"/>	<input checked="" type="radio"/>
(B) Yes, we have a formal process to identify material ESG factors for the majority of our assets	<input type="radio"/>	<input type="radio"/>
(C) Yes, we have a formal process to identify material ESG factors for a minority of our assets	<input type="radio"/>	<input type="radio"/>
(D) No, we do not have a formal process. Our investment professionals identify material ESG factors at their own discretion	<input type="radio"/>	<input type="radio"/>
(E) No, we do not have a formal process to identify material ESG factors	<input type="radio"/>	<input type="radio"/>



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 1.1	CORE	LE 1	N/A	PUBLIC	Materiality analysis	1

How does your current investment process incorporate material ESG factors?

	(3) Active - Fundamental	(4) Investment Trusts (REITs and similar publicly quoted vehicles)
(A) The investment process incorporates material governance factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The investment process incorporates material environmental and social factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) The investment process incorporates material ESG factors beyond our organisation's typical investment time horizon	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) The investment process incorporates the effect of material ESG factors on revenues and business operations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

## Long-term ESG trend analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 2	CORE	OO 10	N/A	PUBLIC	Long-term ESG trend analysis	1

Do you continuously monitor a list of identified long-term ESG trends related to your listed equity assets?

	(3) Active – fundamental	(4) Investment trusts (REITs and similar publicly quoted vehicles)
(A) We monitor long-term ESG trends for all assets	<input checked="" type="radio"/>	<input checked="" type="radio"/>

(B) We monitor long-term ESG trends for the majority of assets	<input type="radio"/>	<input type="radio"/>
(C) We monitor long-term ESG trends for a minority of assets	<input type="radio"/>	<input type="radio"/>
(D) We do not continuously monitor long-term ESG trends in our investment process	<input type="radio"/>	<input type="radio"/>

## ESG incorporation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 3	CORE	OO 10	LE 3.1	PUBLIC	ESG incorporation	1

**How does your financial modelling and equity valuation process incorporate material ESG risks?**

	(3) Active – fundamental	(4) Investment trusts (REITs and similar publicly quoted vehicles)
(A) We incorporate governance-related risks into financial modelling and equity valuations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) We incorporate environmental and social risks into financial modelling and equity valuations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) We incorporate environmental and social risks related to companies' supply chains into financial modelling and equity valuations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) ESG risk is incorporated into financial modelling and equity valuations at the discretion of individual investment decision-makers, and we do not track this process	<input type="checkbox"/>	<input type="checkbox"/>

(E) We do not incorporate ESG risks into our financial modelling and equity valuations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 3.1	CORE	LE 3	N/A	PUBLIC	ESG incorporation	1

**In what proportion of cases do you incorporate the following material ESG risks into your financial modelling and equity valuation process?**

**(3) Active - Fundamental**

(A) We incorporate governance-related risks into financial modelling and equity valuations (1) in all cases

(B) We incorporate environmental and social risks into financial modelling and equity valuations (1) in all cases

(C) We incorporate environmental and social risks related to companies' supply chains into financial modelling and equity valuations (1) in all cases

**(4) Investment Trusts (REITs and similar publicly quoted vehicles)**

(A) We incorporate governance-related risks into financial modelling and equity valuations (1) in all cases

(B) We incorporate environmental and social risks into financial modelling and equity valuations (1) in all cases

(C) We incorporate environmental and social risks related to companies' supply chains into financial modelling and equity valuations (1) in all cases

## Assessing ESG performance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 4	CORE	OO 10	LE 4.1	PUBLIC	Assessing ESG performance	1

What information do you incorporate when you assess the ESG performance of companies in your financial modelling and equity valuation process?

	(3) Active – fundamental	(4) Investment trusts (REITs and similar publicly quoted vehicles)
(A) We incorporate information on current performance across a range of ESG metrics	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) We incorporate information on historical performance across a range of ESG metrics	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) We incorporate information enabling performance comparison within a selected peer group across a range of ESG metrics	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) We incorporate information on ESG metrics that may impact or influence future corporate revenues and/or profitability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) We do not incorporate ESG factors when assessing the ESG performance of companies in our financial modelling or equity valuation	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 4.1	CORE	LE 4	N/A	PUBLIC	Assessing ESG performance	1

**In what proportion of cases do you incorporate the following information when assessing the ESG performance of companies in your financial modelling and equity valuation process?**

**(3) Active – fundamental**

(A) We incorporate information on current performance across a range of ESG metrics	(1) in all cases
(B) We incorporate information on historical performance across a range of ESG metrics	(1) in all cases
(C) We incorporate information enabling performance comparison within a selected peer group across a range of ESG metrics	(1) in all cases
(D) We incorporate information on ESG metrics that may impact or influence future corporate revenues and/or profitability	(1) in all cases

**(4) Investment trusts (REITs and similar publicly quoted vehicles)**

(A) We incorporate information on current performance across a range of ESG metrics	(1) in all cases
(B) We incorporate information on historical performance across a range of ESG metrics	(1) in all cases
(C) We incorporate information enabling performance comparison within a selected peer group across a range of ESG metrics	(1) in all cases
(D) We incorporate information on ESG metrics that may impact or influence future corporate revenues and/or profitability	(1) in all cases

## ESG incorporation in portfolio construction

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 5	PLUS	OO 10	N/A	PUBLIC	ESG incorporation in portfolio construction	1

### Outline one best practice or innovative example where ESG factors have been incorporated into your equity selection and research process.

The Montanaro Better World Fund invests in quoted global-developed Small & MidCap companies that make a positive impact in the world. This strategy is particularly innovative because to select “Better World” companies every company in the Fund must be aligned to six themes and be approved for impact by their Sustainability Committee.

The Fund's themes support the aims of the UN Sustainable Development Goals and are:

- Environmental Protection – managing and protecting the natural environment
- Green Economy – powering the transition to the low carbon economy
- Healthcare – delivering solutions that help to save lives
- Innovative Technologies – powering a sustainable world
- Nutrition – promoting healthy eating and sustainable food production
- Well-being – supporting active lifestyles and education for all

Companies within the Fund must have at least 50% of revenue aligned to six impact themes. In addition to theme alignment, the Better World Fund avoids certain industries on ethical grounds. We do not invest in: Tobacco; Alcohol; Weapons; Adult Entertainment; Gambling; High-interest Rate Lending; Fossil Fuels Exploration & Production; or Animal Testing (except for Healthcare related purposes).

There are three stages to the investment process for the Better World Fund.

Stage 1: Analysts complete an “Impact Report” for every company that we consider for investment to ensure alignment with our impact themes. This stage focuses solely on the products and services of the company and the potential for them to deliver positive impact in support of the UN SDGs. Our Sustainability Committee votes on whether a stock passes or fails for impact.

Stage 2: Once a company has passed Stage 1, we assess the Quality of a company, considering the financial profile, ESG and management. Analysts complete our bespoke Quality Checklist and our ESG Checklists, which have been developed in accordance with the UN Global Compact and UK Stewardship Code. We do not use external ESG ratings to assist us as in our experience, these tend to be inconsistent, particularly for Small & MidCap companies. We model company financials from scratch and conduct site visits to “kick the tyres” and meet employees other than senior management.

Stage 3: Once a stock has been “Approved” we complete detailed valuation work and apply a rating to the company: Strong Buy; Buy; Hold. Our valuation analysis uses our assessment of a company’s quality, including ESG characteristics, to model and determine the long-term returns on invested capital that can be achieved. Analysts spend time re-ordering the balance sheet, allowing us to place a value on the intangible assets of a business.

An example of this process in action is the selection of the Japanese company Shionogi for inclusion in the Better World Fund. This company is aligned to our proprietary healthcare theme and SDG 3: Good Health and Wellbeing. The focus on neglected tropical diseases such as leishmaniosis and their work as part of Global Health Innovative Technology Fund means the company is contributing to the treatment of communicable diseases that affect the developing world. They also provide treatments for non-communicable diseases such as diabetes and their work on treating depression means the company are also connected to the strategic aim of improving mental health outcomes as well. This means that the company not only meets our quality requirements and manages ESG risks and opportunities well, but also contributes to sustainable development by making a positive contribution to society and addressing healthcare challenges.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 6	CORE	OO 10	LE 6.1	PUBLIC	ESG incorporation in portfolio construction	1

**How do ESG factors influence your portfolio construction?**

	(3) Active – fundamental	(4) Investment trusts (REITs and similar publicly quoted vehicles)
(A) The selection of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The holding period of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process	<input type="checkbox"/>	<input type="checkbox"/>

(E) Other expressions of conviction (please specify below)

(F) The portfolio construction or benchmark selection does not explicitly include the incorporation of ESG factors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 6.1	CORE	LE 6	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**In what proportion of cases did ESG factors influence your portfolio construction?**

**(3) Active – fundamental**

(A) The selection of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(B) The holding period of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors (1) in all cases

**(4) Investment trusts (REITs and similar publicly quoted vehicles)**

(A) The selection of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(B) The holding period of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors (1) in all cases



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 7	PLUS	OO 10	N/A	PUBLIC	ESG incorporation in portfolio construction	1

Please provide two examples of how ESG factors have influenced weightings and tilts in either passive or active listed equity.

Provide examples below:

(A) Example 1:

Our ESG checklist helps us to identify the highest quality companies by guiding us towards truly sustainable investment opportunities. The ESG score influences how we view the quality of a company, which in turn influences fundamental analysis and therefore the weighting of a company within our portfolios. An example of this is a renewable energy company that we have assigned a low weighting within our portfolios. This is because, whilst we feel the positive impact of the provision of renewable energy offers a strong sustainable investment opportunity, we have identified governance risks that are reflected in the ESG score. The company have detailed due diligence policies and compliance with these policies is an important part of company culture. However, the company conducts its business in regions where governance risks are high and this is reflected in our portfolio construction.

(B) Example 2:

An additional example of how our assigned ESG score are reflected in portfolio construction is that of a Nordic outdoor equipment supplier. We have allocated a higher weighting to this company as a result of managements ESG risk management strategies, which we believe to be best in class. This strong approach sustainability is indicative of strong corporate governance. This increases the quality of a business; the higher the quality of a business, the greater the sustainability of returns hence this higher weighting.

## ESG risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 8	CORE	OO 6.1 LE	N/A	PUBLIC	ESG risk management	1

What compliance processes do you have in place to ensure that your listed equity assets subject to negative exclusionary screens meet the screening criteria?

- (A) We have an independent committee that oversees the screening implementation process, but only for our ESG/sustainability labelled funds that are subject to negative exclusionary screening
- (B) We have an independent committee that oversees the screening implementation process for all of our listed equity assets that are subject to negative exclusionary screening
- (C) We have an independent committee that verifies that we have correctly implemented pre-trade checks in our internal systems to ensure no execution is possible without their pre-clearance
- (D) Other, please specify:
- (E) We do not have compliance processes in place to ensure that we meet our stated negative exclusionary screens

## Post-investment phase

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 9	CORE	OO 10	N/A	PUBLIC	ESG risk management	1

Do your regular reviews incorporate ESG risks?

(3) Active – fundamental

(4) Investment trusts (REITs and similar publicly quoted vehicles)

(A) Our regular reviews include quantitative information on material ESG risks specific to individual listed equities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Our regular reviews include aggregated quantitative information on material ESG risks at a fund level	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Our regular reviews only highlight fund holdings where ESG ratings have changed	<input type="checkbox"/>	<input type="checkbox"/>

(D) We do not conduct regular reviews. Risk reviews of ESG factors are conducted at the discretion of the individual fund manager and vary in frequency



(E) We do not conduct reviews



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 10	CORE	OO 10	N/A	PUBLIC	ESG risk management	1

**Do you regularly identify and incorporate ESG incidents into the investment process for your listed equity assets?**

**(3) Active – fundamental**

**(4) Investment trusts (REITs and similar publicly quoted vehicles)**

(A) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into all of our investment decisions



(B) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into the majority of our investment decisions



(C) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into a minority of our investment decisions



(D) Yes, we have an ad hoc process in place for identifying and incorporating ESG incidents



(E) Other

(F) We currently do not have a process in place for regularly identifying and incorporating ESG incidents into our investment decision-making

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## Performance monitoring

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 11	PLUS	OO 10	N/A	PUBLIC	Performance monitoring	1

Provide an example of an ESG factor that your organisation incorporated into your equity valuation or fund construction and describe how that affected the returns of those assets.

**Provide examples below:**

(A) Example from your active listed equity:

Whilst undertaking our regular monitoring of companies, we were concerned that ESG factors appeared to have changed for one of our investee companies. The manufacturer of insulation products was contacted by our analysts to assess the involvement of the company's products in a fire which engulfed a building in London in 2017. After a series of engagements with the company and reviews of our models and analysis, the Analyst responsible for the stock recommended that we sell the shares. The issues identified as part of our investment monitoring process suggested a material weakness in the company's ESG profile that had a detrimental impact on the investment case.

# Reporting/Disclosure

## Sharing ESG information with stakeholders

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 13	CORE	OO 6 LE	N/A	PUBLIC	Sharing ESG information with stakeholders	6

How do you ensure that clients and/or beneficiaries understand ESG screens and their implications?

	(1) for all of our listed equity assets subject to ESG screens	(2) for the majority of our listed equity assets subject to ESG screens	(3) for a minority of our listed equity assets subject to ESG screens	(4) for none of our assets subject to ESG screens
(A) We publish a list of ESG screens and share it on a publicly accessible platform such as a website or through fund documentation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(B) We publish any changes in ESG screens and share them on a publicly accessible platform such as a website or through fund documentation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(C) We outline any implications of ESG screens, such as deviation from a benchmark or impact on sector weightings, to clients and/or beneficiaries	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 14	CORE	OO 10	N/A	PUBLIC	Sharing ESG information with stakeholders	6

**What ESG information is covered in your regular reporting to stakeholders such as clients or beneficiaries?**

**(3) Active – fundamental**

(A) Our regular stakeholder reporting includes qualitative examples of engagement and/or ESG incorporation	1) In all of our regular stakeholder reporting
(B) Our regular stakeholder reporting includes quantitative ESG engagement data	1) In all of our regular stakeholder reporting
(C) Our regular stakeholder reporting includes quantitative ESG incorporation data	1) In all of our regular stakeholder reporting

**(4) Investment trusts (REITs and similar publicly quoted vehicles)**

(A) Our regular stakeholder reporting includes qualitative examples of engagement and/or ESG incorporation	1) In all of our regular stakeholder reporting
(B) Our regular stakeholder reporting includes quantitative ESG engagement data	1) In all of our regular stakeholder reporting
(C) Our regular stakeholder reporting includes quantitative ESG incorporation data	1) In all of our regular stakeholder reporting

# Stewardship

## Voting policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 15	CORE	OO 9 LE	LE 15.1, LE 16	PUBLIC	Voting policy	2

Does your organisation have a publicly available (proxy) voting policy? (The policy may be a standalone policy, part of a stewardship policy or incorporated into a wider RI policy.)

- (A) Yes, we have a publicly available (proxy) voting policy Add link(s):  
<https://montanaro.co.uk/wp-content/uploads/MONTANARO-ESG-HANDBOOK-Q1-2021.pdf>
- (B) Yes, we have a (proxy) voting policy, but it is not publicly available
- (C) No, we do not have a (proxy) voting policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 15.1	CORE	OO 9 LE, LE 15	N/A	PUBLIC	Voting policy	2

What percentage of your listed equity assets does your (proxy) voting policy cover?

(A) Actively managed listed equity covered by our voting policy (12) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 16	CORE	LE 15	N/A	PUBLIC	Voting policy	2

Does your organisation's policy on (proxy) voting cover specific ESG factors?

- (A) Our policy includes voting guidelines on specific governance factors Describe:
- (B) Our policy includes voting guidelines on specific environmental factors Describe:
- (C) Our policy includes voting guidelines on specific social factors Describe:
- (D) Our policy is high-level and does not cover specific ESG factors Describe:

Our current policy is designed to be flexible so that analysts that are best acquainted with the companies are able to make decisions on a case-by-case basis. The parameters used to assess voting decisions are broad to accommodate the wide variety of circumstances we encounter when exercising our rights as shareholders. Nevertheless, we apply the points outlined in our proxy voting document when reviewing the proposals put to us by companies and a clear rationale for analyst decisions is recorded in our voting log. We are in the process of creating new guidelines in order to provide a clearer definition of what we consider to be best practice whilst still giving our analysts the freedom to use their knowledge of the companies under their coverage to make well informed decisions that will benefit all stakeholders for the long term.

## Alignment & effectiveness

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 17	CORE	OO 9 LE	N/A	PUBLIC	Alignment & effectiveness	2

**When you use external service providers to give voting recommendations, how do you ensure that those recommendations are consistent with your organisation's (proxy) voting policy?**

(A) We review service providers' controversial and high-profile voting recommendations before voting is executed (1) in all cases

(B) Before voting is executed, we review service providers' voting recommendations where the application of our voting policy is unclear (1) in all cases

## Security lending policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 18	CORE	OO 9 LE	LE 18.1, LE 18.2	PUBLIC	Security lending policy	2

**Does your organisation have a public policy that states how voting is addressed in your securities lending programme? (The policy may be a standalone guideline or part of a wider RI or stewardship policy.)**

- (A) We have a public policy to address voting in our securities lending programme. Add link(s):
- (B) We have a policy to address voting in our securities lending programme, but it is not publicly available
- (C) We rely on the policy of our service provider(s)
- (D) We do not have a policy to address voting in our securities lending programme
- (E) **Not applicable, we do not have a securities lending programme**



## Shareholder resolutions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 19	CORE	OO 9 LE	N/A	PUBLIC	Shareholder resolutions	2

Which of the following best describes your decision-making approach regarding shareholder resolutions, or that of your service provider(s) if decision-making is delegated to them?

- (A) In the majority of cases, we support resolutions that, if passed, are expected to advance progress on the underlying ESG factors or on our stewardship priorities
- (B) In the majority of cases, we support resolutions that, if passed, are expected to advance progress on the underlying ESG factors but only if the investee company has not already committed publicly to the action requested in the proposal
- (C) In the majority of cases, we only support shareholder resolutions as an escalation tactic when other avenues for engagement with the investee company have not achieved sufficient progress
- (D) In the majority of cases, we support the recommendations of investee company management by default
- (E) In the majority of cases, we do not vote on shareholder resolutions

## Pre-declaration of votes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 20	CORE	OO 9 LE	N/A	PUBLIC	Pre-declaration of votes	2

How did your organisation or your service provider(s) pre-declare votes prior to AGMs/EGMs?

- (A) We pre-declared our voting intentions publicly through the PRI's vote declaration system
- (B) We pre-declared our voting intentions publicly (e.g. through our own website) Link to public disclosure:
- (C) We pre-declared our voting intentions publicly through the PRI's vote declaration system, including the rationale for our (proxy) voting decisions where we planned to vote against management proposals or abstain
- (D) We pre-declared our voting intentions publicly, including the rationale for our (proxy) voting decisions where we planned to vote against management proposals or abstain Link to public disclosure:
- (E) Prior to the AGM/EGM, we privately communicated our voting decision to investee companies in cases where we planned to vote against management proposals or abstain
- (F) We did not privately or publicly communicate our voting intentions
- (G) We did not cast any (proxy) votes during the reporting year

## Voting disclosure post AGM/EGM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 21	CORE	OO 9 LE	LE 21.1	PUBLIC	Voting disclosure post AGM/EGM	2

Do you publicly report your (proxy) voting decisions, or those made on your behalf by your service provider(s), in a central source?

(A) Yes, for >95% of (proxy) votes Link:

<https://montanaro.co.uk/wp-content/uploads/2020-Proxy-Voting-Report-1.pdf>

(B) Yes, for the majority of (proxy) votes Link:

(C) Yes, for a minority of (proxy) votes 1) Add link and 2) Explain why you only publicly disclose a minority of (proxy) voting decisions:

(D) No, we do not publicly report our (proxy) voting decisions Explain why you do not publicly report your (proxy) voting decisions:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 21.1	CORE	LE 21	N/A	PUBLIC	Voting disclosure post AGM/EGM	2

In the majority of cases, how soon after an investee's AGM/EGM do you publish your voting decisions?

(A) Within one month of the AGM/EGM

(B) Within three months of the AGM/EGM

(C) Within six months of the AGM/EGM

(D) Within one year of the AGM/EGM

(E) More than one year after the AGM/EGM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 22	CORE	OO 9 LE	LE 22.1	PUBLIC	Voting disclosure post AGM/EGM	2

Did your organisation and/or the service provider(s) acting on your behalf communicate the rationale for your voting decisions?

- (A) In cases where we voted against management recommendations or abstained, the rationale was provided privately to the company
- (B) In cases where we voted against management recommendations or abstained, the rationale was disclosed publicly
- (C) In cases where we voted against management recommendations or abstained, we did not communicate the rationale
- (D) We did not vote against management or abstain

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 22.1	CORE	LE 22	N/A	PUBLIC	Voting disclosure post AGM/EGM	2

Indicate the proportion of votes where you and/or the service provider(s) acting on your behalf communicated the rationale for your voting decisions.

(A) In cases where we voted against management recommendations or abstained, the rationale was provided privately to the company (5) >95%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 23	CORE	OO 9 LE	LE 23.1	PUBLIC	Voting disclosure post AGM/EGM	2, 5

Did your organisation and/or the service provider(s) acting on your behalf communicate the rationale for your voting decisions when voting against a shareholder resolution proposed/filed by a PRI signatory?

- (A) In cases where we voted against a shareholder resolution proposed/filed by a PRI signatory, the rationale was disclosed publicly
- (B) In cases where we voted against a shareholder resolution proposed/filed by a PRI signatory, the rationale was not disclosed publicly
- (C) We did not vote against any shareholder resolution proposed/filed by a PRI signatory

## Alignment & effectiveness

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 24	PLUS	OO 9 LE	N/A	PUBLIC	Alignment & effectiveness	2

### How are you contributing to the integrity of the end-to-end voting chain and confirmation process?

The monitoring and application of Montanaro’s stewardship responsibilities begins with our Board, which is led by our Executive Chairman and Founder Charles Montanaro. As part of our B Corporation certification, the Board has a legal requirement – enshrined in Montanaro’s Articles of Association – to consider the impact of our business on all stakeholders.

The Board monitors Montanaro’s approach to stewardship, including company level targets and responsibilities. Additional oversight of Montanaro’s stewardship activities is provided by two Montanaro Committees: the Sustainability Committee and the Executive Committee. The sustainability committee review voting activity on a quarterly bases. In turn, the minutes of these meetings are reviewed by the executive committee to ensure that the approach remains cohesive and effective.

Voting recommendations are provided to us by our proxy voting provider, ISS. Analysts are responsible for reviewing voting recommendations with support from the Head of Sustainable Investment and our ESG & Impact Specialist. Voting decisions are recorded in our voting log alongside ISS voting suggestions and the reasons provided by Analysts for their decisions. This allows for a clear comparison between our decision making and the suggestions of our proxy voting provider. This also allows us the record our engagement with companies on matters concerning voting and plan any escalation over time, if necessary. An area that we have identified for development is our use of the ISS service to better understand voting patterns and trends and ensure a greater level of consistency in how we vote. In 2021, we are aiming for voting to play an even more direct role in our engagement efforts. Work has begun on introducing a more detailed voting policy.

## Example

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 25	PLUS	OO 9 LE	N/A	PUBLIC	Example	2

Provide examples of the most significant (proxy) voting activities that your organisation and/or the service provider acting on your behalf carried out during the reporting year.

Provide examples below:

(A) Example 1:

Executive compensation is an area where we often vote against management. An example of where this occurred in 2020 was the case of a Spanish Property company. We were concerned about the remuneration arrangements we were being asked to vote on at the 2020 Annual General Meeting (AGM). The proposed pay-out for executives seemed to us to be excessive, particularly in the wake of the COVID-19 pandemic. **(response continued in row below)**

We approached the company ahead of the meeting to voice our concerns. During the conversation it became clear that no downward adjustments to the compensation were planned and as a consequence we opted to vote against the remuneration report. When we reviewed the results of the AGM we noticed that, although the resolution still passed, 35% of the votes had been cast against management. This sends a strong signal that investors disagreed with the pay arrangements at the business and this will hopefully influence the company's behaviour going forward. In the meantime, we have decreased the Montanaro ESG score for the company on the basis of heightened corporate governance risks as executive pay does not appear to be aligned with performance.

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(B) Example 2:

Votes cast during the reporting period were least in line with management on matters of reorganisation and mergers, where only 77% of votes followed management recommendations. This is because this was an area where we felt management proposals were most often misaligned with shareholder interests. One such example where our voting decisions ran contrary to management and ISS suggestions came in the form of a special resolution proposed by a UK Financial Services business. Shareholders were asked to approve an acquisition. When MAM Analysts and the relevant committees reviewed the proposal, it was decided that this was not a prudent course of action. We opted to vote against this resolution and spoke to the chairperson regarding the future strategy of the company. Following our engagement on the matter, it was decided that, whilst we disagreed with the acquisition, our belief in the long-term investment case remained unchanged.

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(C) Example 3:

The Montanaro team chose to vote against the re-election of a Non-Executive Director of a French healthcare provider due to a record of poor attendance. We are of the view that repeated low attendance at necessary meetings calls into question a director's ability to perform their role effectively and as a consequence we opted to vote against their reinstatement to the board.

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