

Biodiversity Policy

October 2023

The long-held assumption that the biosphere is external to the human economy has led to the value of nature being excluded from most economic models. Our economies, livelihoods and well-being all depend on nature. However, nature's value to society is unaccounted for and this has contributed to the demands on the natural world exceeding its capacity to supply. We agree with the suggestions of the independent biodiversity study, The Economics of Biodiversity: The Dasgupta Review, that the catastrophic nature loss we have seen over the last century can only be halted and reversed if we re-shape our view and see that we are in fact 'embedded' within nature, not external to it¹.

In response to this, Montanaro Asset Management ("MAM") has set out a policy for the inclusion of nature-related risks and opportunities within the investment process.

For the purposes of this policy we have defined nature as: **the natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment**².

The diversity of living organisms is referred to as **biodiversity**. It is biodiversity that underpins environmental assets and so is the focus of our policy.

1. Biodiversity in ESG analysis

The consideration of biodiversity is featured in the environmental section of our proprietary ESG checklist. We consider the following four data points for every company we invest in:

- Business exposure to operations with land or ecosystem disturbance;
- Percentage of operations located in geographies with highly fragile ecosystems;
- Biodiversity and land use exposure score; and
- Presence of a biodiversity policy.

We use data provided by MSCI and Bloomberg and supplement this with company reporting to form our own ESG score. **This shapes our view of a company's overall impact on biodiversity and helps guide our engagement effort** (see section 4).

2. Positive impact and biodiversity

When considering companies for investment in our global impact portfolios, eligible companies must have products and services that contribute to the achievement of one or more of our impact themes. The theme that is most exposed to opportunities relating to biodiversity and the responsible stewardship of nature is **Environmental Protection**. This

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/962785/The_Economics_of_Biodiversity_The_Dasgupta_Review_Full_Report.pdf

² Díaz, S et al (2015) The IPBES Conceptual Framework – connecting nature and people

theme is connected to United Nations Sustainable Development Goal (UN SDG) 14 (Life Below Water) and UN SDG 15 (Life On Land). The sub-themes that are particularly relevant are:

- Pollution control;
- Water treatment; and
- Waste recycling and management.

Companies providing solutions in these three areas are helping to **generate measurable nature positive impact through enhancing biodiversity.**

3. Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD framework has been designed as a science-based approach to measuring, reporting on, and protecting nature globally. The framework builds on the Taskforce on Climate-related Financial Disclosures (TCFD) and has aligned reporting recommendations to this existing template³.

We collaborated with other investors throughout the drafting process for the TNFD report, joining fellow signatories of the Principles for Responsible Investment (PRI) in sharing our feedback, and participated in roundtables hosted by NatureAlpha (a specialist Biodiversity research house). This allowed us to share our views on every beta version of the report. We believe that the TNFD framework has the potential to improve transparency, accountability, and sustainability by promoting a better understanding and management of nature-related risks and opportunities. By incorporating a diverse range of perspectives and insights, the TNFD can provide a comprehensive framework that reflects the complexity and importance of the natural world.

We are now in the process of assessing the impacts and dependencies of our investee companies using the methodology outlined by the framework to establish where nature-related opportunities and risks are likely to occur. This will rely on the data disclosed by investee companies and we must acknowledge that biodiversity data is heavily underreported at present. As a result, there may be a slight lag before our alignment with the framework can be published. **When our analysis is complete, we will publish a TNFD statement.**

In the meantime, we have been **accepted as a member of the TNFD Forum**⁴, a consultative group of institutional supporters of the framework who share the vision and mission of the TNFD and make themselves available to contribute to the work and mission of the Taskforce. As a member of the Forum, we can participate in research activities that support the Taskforce and its working groups.

4. Stewardship and engagement

We use our ESG analysis of portfolio companies to identify engagement priorities and advocate for a reduction in the negative impact of our portfolios on nature and the pursuit of opportunities through possible solutions.

We also monitor market developments and emerging best practices that are relevant and material for our companies. This informs our engagement efforts.

We champion and promote the advancement of nature-related reporting and protection efforts. We will engage with investee companies to encourage them to embrace the importance of reporting and acting on evolving nature-related risks, and in turn move to adopt the TNFD framework.

³ <https://framework.tnfd.global/>

⁴ <https://tnfd.global/about/the-tnfd-forum/>

5. Protecting Nature at MAM

Other than ensuring that the companies we invest in are trying to seek out opportunities to contribute to nature and are avoiding harm, Montanaro are conserving biodiversity in a number of ways:

- Rewilding Britain

We have partnered with Rewilding Britain, an organisation taking restoration of ecosystems to the point where nature is allowed to take care of itself. **Rewilding seeks to reinstate natural processes and, where appropriate, missing species – allowing them to shape the landscape and the habitats within.** It is focused firmly on the future although we can learn from the past. Our funding to Rewilding Britain will support its “Rewilding Network”, a network of rewilding projects across Britain that provides support, education and guidance to those undertaking rewilding projects. The support we provide to the Dorset Wildlife Trust will help to restore the River Sherford in Wild Woodbury. This is a flagship rewilding project, not only for the Trust (it is their biggest ever large-scale rewilding project), but for the country too. Covering an area of 170 hectares of farmland, acquired by the Trust last year, **the project aims to restore woodland and wetland habitats across the site**, reducing high nitrate levels in the local waterways and preventing them from entering Poole Harbour, located at the river’s mouth.

From a national perspective, the Wild Woodbury project is unique: it is **the country’s first community rewilding project** and will provide opportunities for people of all backgrounds and abilities to play a key role in helping to create a new space for nature, including the Montanaro team.

- Tribal Survival

Biodiversity indicators show declines of 30% less and 30% more slowly in Indigenous lands than in lands not managed by Indigenous people⁵. Local communities and Indigenous peoples play a critical role in safeguarding nature and protecting and restoring ecosystems. This is often due to the direct connection they have to the natural environment, rather than the built one. The practices of Indigenous peoples and local communities have proved highly effective for the wider protection of ecosystems through their knowledge, culture, and institutions.

Our founder, Charles Montanaro, established Tribal Survival in 2014 – a UK-registered charity which aims to promote the wellbeing of indigenous people across the world. Charles is an anthropologist by training and has visited remote tribes across the world for decades. Ever increasing resource pressures are placing stress on the lives of those fighting to retain their ancestral lands, customs, and traditions. With support from the World Health Organisation, Tribal Survival has sponsored a number of trips to distribute medication to remote tribes. **In so doing, there are environmental benefits to the preservation of indigenous communities as well as social and cultural positive outcomes.**

- Urban pollination

Around 4 out of 5 wildflowers and crops need animal pollination and 75% of global food production depends on animal pollination⁶. Bees are important insect pollinators, but their populations are declining for a number of reasons, mainly due to disease, pesticides, and a lack of food. Urban horticulturalists have less need for agrochemicals that can be damaging to bee health. As a consequence, bees can thrive in urban environments particularly where pollinator

⁵ https://www.researchgate.net/publication/333775295_Chapter_22_Status_and_Trends_-_Nature_IPBES_Global_Assessment_on_Biodiversity_and_Ecosystem_Services

⁶ https://ec.europa.eu/commission/presscorner/detail/en/fs_22_3749

friendly plants are prevalent in parks and gardens. **Montanaro have increased the bee population of central London by housing hives on our office roof.**

6. Policy Review

This Policy will be reviewed annually or more frequently if deemed necessary.