

Montanaro Asset Management Ltd

**Public disclosures under the
FCA's Investment Firms
Prudential Regime ("IFPR")**

30 June 2026

(Prepared based on data as at 31 December 2025)



MONTANARO

INTRODUCTION AND CONTEXT

The Investment Firms Prudential Regime (IFPR) is the FCA's prudential regime for MiFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms. IFPR came into effect on 1st January 2022, and its provisions apply to Montanaro Asset Management Limited (MAM or the firm) as an FCA authorised and regulated firm.

The public disclosure requirements of IFPR are set out in MIFIDPRU 8, replacing the previous Pillar 3 requirements under BIPRU 11.

MAM can be classified as a non-SNI firm given it breaches at least one of the requirements set out in MIFIDPRU 1.2.1 R to qualify as an SNI firm. In this case, the firm has crossed the following threshold:

- Average AUM of MiFID business exceeds the FCA's threshold of £1.2 billion

However, MAM qualifies as a smaller non-SNI, due to the average balance sheet size being less than £100 million over the previous four-year period.

MAM is required to disclose the following information:

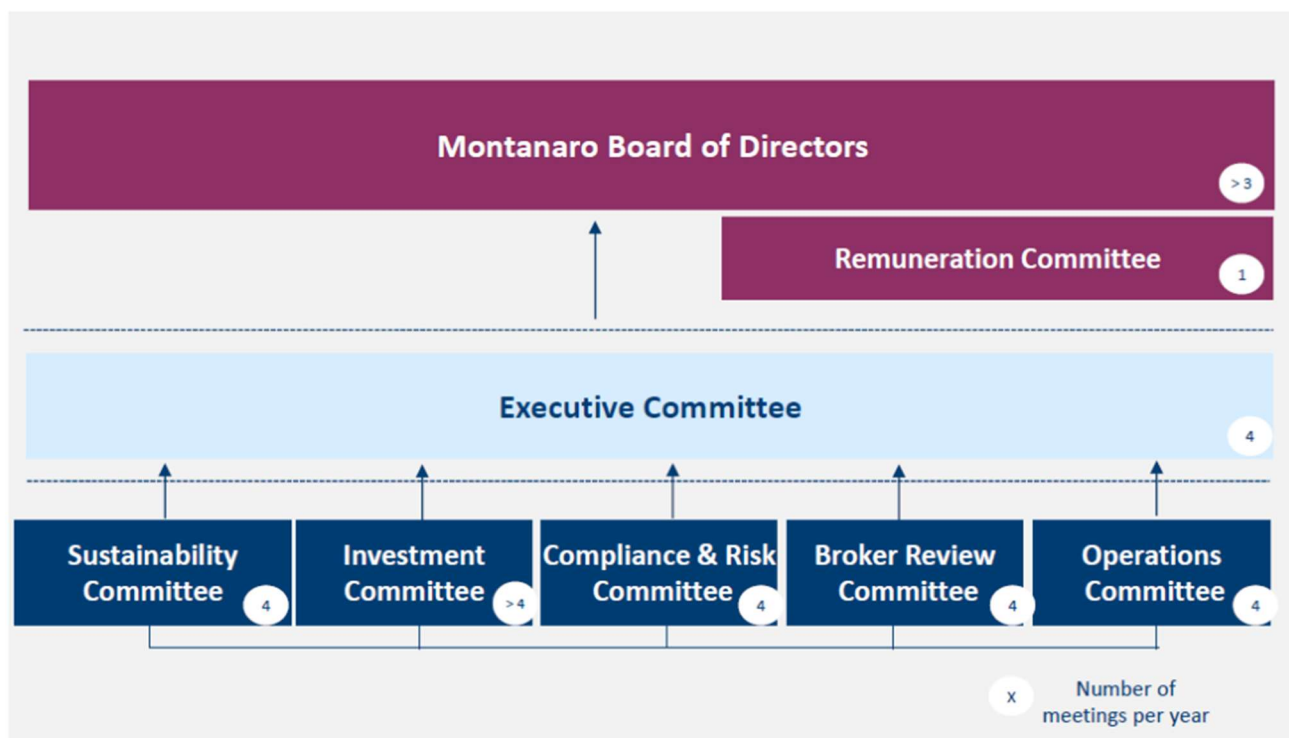
- **Governance arrangements** (MIFIDPRU 8.3): non-SNI firms are required to disclose certain information including:
 - An overview of the firm's governance arrangements;
 - The number of directorships held by each member of the governing body (this only applies to directorships of commercial enterprises, charities and directorships of other group entities are excluded);
 - A summary of the firm's policy on promoting diversity in the governing body;
 - Whether the firm has established a risk committee.
- **Own Funds** (MIFIDPRU 8.4): firms must provide details of their Own Funds (using the template provided in MIFIDPRU 8 Annex 1R), and a reconciliation of the same information in the firm's report and accounts (where available).
- **Own Funds Requirements** (MIFIDPRU 8.5): firms must disclose details of their Own Funds Requirements including the Fixed Overhead Requirement (FOR) and a breakdown of their K-factor requirements (non-SNI only). All firms are also required to disclose their approach to assessing their compliance with the overall financial adequacy rule (MIFIDPRU 7.4.7R).
- **Risk Management** (MIFIDPRU 8.2): firms must disclose their risk management objectives and policies in respect of the following categories of risk addressed by:
 - MIFIDPRU 4: Own Funds Requirements;
 - MIFIDPRU 5: Concentration Risk; and
 - MIFIDPRU 6: Liquidity.

- **Remuneration Policy and practices** (MIFIDPRU 8.6)
 - Provision of quantitative and qualitative disclosures in respect of the firm's remuneration arrangements.

GOVERNANCE ARRANGEMENTS

The Board

The Board has adopted a risk management governance structure comprising of the board and management committees to provide review, challenge and oversight of the firm's risks. The link between the Board and its committees is shown below:



MAM's Board of Directors is composed of two independent Non-Executive Directors, Heather Manners and Katrina Hart, and three Executive Directors, Charles Montanaro (Chair), Cédric Durant des Aulnois and George Cooke.

In addition, the Board benefits from the counsel of Debbie Hewitt, an independent adviser with a wealth of experience across multiple industries.

The Board meets formally at least three times a year and informally at least once. Meetings are typically held in:

- January – The Board discusses the strategic priorities for the year included in the State of the Nation presentation given to all staff at the start of each year. In addition, the Remuneration Committee meets to review and approve the remuneration of the Executive.
- March or April – Approval of the year-end accounts.
- September
- December (informal meeting).

Additional Board Meetings are held as required.

The Directors review all aspects of the business including personnel decisions, remuneration, product

and business strategy, investment performance, financial reporting, risk management, compliance and cyber-security risk.

Special matters may also arise at any given Board Meeting such as the approval of interim / year-end Financial Statements or the appointment of Auditors.

Committees

The **Remuneration Committee**, comprised of Charles Montanaro, Cédric Durant des Aulnois, Heather Manners (Chair) and Katrina Hart, meets every year in January to review the remuneration of the Executive. The Committee is chaired by Heather Manners.

The **Executive Committee** is composed of 8 members: Cédric Durant des Aulnois (Chair), Charles Montanaro, George Cooke, Matthew Francis, Ed Heaven, Chris Crier, John Ensor and Mark Petar. The Committee meets at least four times a year to discuss matters arising in the management of the business.

The **Investment Committee**, composed of Charles Montanaro (Chair), George Cooke, Adam Montanaro, Alex Magni and Guido Dacie-Lombardo, meets at least four times a year to review key changes to the Portfolios. In addition, the Investment Committee closely reviews all new investment ideas and has the ultimate authority for companies to be added to the Approved List.

The **Sustainability Committee**, composed of Ed Heaven (Chair), Sarah Bridges, Kate Hewitt and Harriet Topham, sets all ESG and ethical policies, monitors engagement with companies and reviews voting procedures.

The **Compliance & Risk Committee**, composed of Matthew Francis (Chair), Sarah Bridges, Gareth Bateman and Laura Denny, meets at least four times a year to review all aspects relating to investment risk, regulation and compliance.

The **Joint Liquidity Committee**, which is a sub-committee of the Compliance and Risk Committee, meets every two months to monitor stock specific liquidity and set appropriate internal restrictions on illiquid holdings. The Joint Liquidity Committee comprises members of the Risk and Compliance Committee the Investment Committee, and the CEO.

The **Operations Committee**, composed of John Ensor (Chair), Gareth Bateman and Mark Petar, reviews all operational aspects relating to fund administration, technology and cyber-security.

The **Broker Review Committee**, composed of Gareth Bateman (Chair), Aaron Gomez, Rachel Herry, Cédric Durant des Aulnois, Matthew Francis, Ed Heaven and John Ensor, reviews MAM's relationships with brokers, monitors the quality of execution, reviews trading costs and threshold disclosures.

Diversity

MAM is committed to providing a workplace that seeks and respects diversity and inclusion at every level of the business including the executive and non-executing Board members. We believe that anyone who joins the business should benefit from the opportunity to develop, progress, and succeed within the company. We are at the start of this journey and recognise that recruiting and retaining a truly diverse and inclusive workforce requires long term commitment from across the business.

Directorships

The following Directors have held office in executive and non-executive functions throughout the financial year ending 31st December 2025. Please note that MAM is a solo entity.

Name	Group Directorship	Other Directorship in scope of MIFIDPRU 8.3.1R(2)
Charles Montanaro Chair	N/A	0
Cedric Durant des Aulnois CEO	N/A	1
George Cooke Head of Investments	N/A	0
Katrina Hart Non-Executive Director	N/A	6
Heather Manners Non-Executive Director	N/A	5

RISK MANAGEMENT

Approach to Risk Management

Risk management at MAM is the joint responsibility of the Compliance & Risk Committee and the Head of Compliance, Risk & Administration, Matthew Francis (who also chairs the Committee). Matthew is a permanent member of the Executive Committee and reports directly to the Board of Directors.

The Compliance & Risk Committee meets quarterly to review all aspects of Company-level and investment risk. The members of the Committee are:

- Matthew Francis (Chairman);
- Sarah Bridges (Compliance Manager);
- Laura Denny (Compliance Analyst);
- Gareth Bateman (Deputy Head of Operations and Risk).

In addition, the following people typically attend the meetings for certain agenda items:

- Cédric Durant des Aulnois (Chief Executive Officer);
- Ed Heaven (Head of Sustainable Investing/Chief of Staff);
- Gareth Bateman (Chair of the Broker Review Committee).

The Committee reviews all aspects linked to regulatory risk, investment risk and threshold crossing disclosures. The Committee also reviews and updates the Risk Register.

The Joint Liquidity Committee, which is a sub-committee of the Compliance and Risk Committee, meets quarterly to monitor stock specific liquidity and set appropriate internal restrictions on illiquid holdings. The Joint Liquidity Committee comprises members of the Compliance and Risk Committee the Investment Committee, and the CEO.

Separately, MAM has an Operations Committee which is chaired by John Ensor, Head of Operations. This Committee also meets quarterly and reviews other aspects of operational risk including: risk relation to fund administration matters, trading risk and IT & Cyber risk. Matthew Francis attends Operations Committee meetings.

The minutes of both the Compliance & Risk Committee and the Operations Committee are reviewed by the Executive Committee.

As risk-averse investors, we do not use derivatives; do not engage in hedging; do not engage in short-selling; do not lend stock; and do not invest in any asset classes other than quoted global Small & MidCap.

Risk Appetite Setting

The main risks to MAM are a loss of client assets or a decline in Stock Markets (as most fee income is based on portfolio valuations), either or both of which would result in reduced revenues. This might

impact the ability to invest in MAM as required and to retain staff.

Given the cyclical nature of its business, MAM has always been managed conservatively. The business has no bank debt or debt due to other external third parties. It maintains significant cash balances at all times.

In addition, MAM does NOT:

- make use of derivatives;
- engage in hedging;
- engage in short-selling;
- lend out shares held by its open-ended Funds or investment trusts;
- invest in MicroCap companies;
- invest in private or unquoted assets;
- invest in any asset classes other than quoted global Small & MidCap.

MAM far exceeds its basic regulatory capital requirements which are necessary for the prudential running of its business. This is because of the following factors:

- MAM holds cash balances many times greater than its fixed overhead requirement;
- within its regulated activities, MAM assumes no market risk;
- MAM has a diverse client base; and
- MAM's clients are geographically well diversified.

MAM has a low appetite for risk which will not change in future.

Key Risks

We have identified the potential risks and harms to MAM's clients, the markets, and to MAM itself by considering plausible hypothetical scenarios that might occur in relation to the activities that MAM carries out. These are recorded in our Risk Register, which is maintained by the Compliance & Risk Committee and formally reviewed on an annual basis by the Board.

This year, AI-related considerations have been incorporated into the risk and mitigation narrative for a number of existing risks, including unauthorised conduct by staff, erroneous communication with clients and GDPR breaches. Cyber-crime has seen the most significant update in this respect, although the overall risk rating has not changed. In addition, two new risks have been added to the Register: inadequate governance, oversight or control of AI adoption and use; and competitive disadvantage arising from slow or ineffective AI adoption. The risk of inadequate governance, oversight or control of AI is considered to be a material risk and is included in the table below.

The primary material risk to clients and to MAM is poor performance, whether due to a general decline in equity markets or to the underperformance of MAM's Funds. This would lead to lower returns and a loss of capital for investors; a reduction in AUM; and therefore a reduction in fee income to MAM as fees are based on AUM. This could impact the quality of MAM's service and ability to retain staff. Reputational damage would also make it more difficult to attract and retain new investors, compounding the issue and eventually potentially leading to the business becoming unviable.

There is also the risk of cyber-crime causing a significant financial loss to both clients and to MAM, or a GDPR breach which could place our clients at greater risk of fraud or other financial crime and expose MAM to reputational damage and potentially large fines. The Bank of England, FCA and HM Treasury jointly confirmed on 15 May 2026 that frontier AI models now have cyber capability “already exceeding what a skilled practitioner could achieve”, at far greater speed and scale. We have explicitly considered the enhanced threat from AI in our risk review this year.

A summary of the potential material risks and harms to clients and to MAM itself is below. Due to the size and nature of the business, it is unlikely that MAM would cause material harm to the markets.

Material risks and harms to Clients				
Risk	Potential Harm	Recovery Funds	Action/Additional	Own
Prolonged underperformance in one or more products	<i>Reduced returns and loss of capital</i>	<i>Review and/or replace Fund Manager, review strategy/investment process/Approved List.</i>		
Lower markets (which could lead to the above underperformance)	<i>Reduced returns and loss of capital</i>	<i>Communication with existing clients, increased marketing activity. All clients in MAM’s open-ended Funds have the option to redeem without any notice. MAM’s investment trust clients can sell their shares on the secondary market. MAM’s segregated mandate clients can typically redeem part or all of their investment with little notice.</i>		
Prolonged absence/ill health of Charles Montanaro or other key staff	<i>Pre-emptive redemptions from clients</i>	<i>Communication with existing clients, increased marketing activity. Expansion of the team and delegation of responsibilities.</i>		
Cyber Crime	<i>Client may suffer system outages, client data could be compromised / lost, clients may be unable to place trades or loss of assets through fraud involving MAM service providers (administrator, custodian, Charles River).</i>	<i>Note: MAM does not hold client cash or client assets so there is minimal risk of a financial loss to clients originating from MAM’s own systems being compromised. All clients may need to be contacted. Potential legal action against MAM’s service providers. Although MAM has recently invested in best-in-class systems which reduce the likelihood and scope of a potential cyber attack, further investments may be warranted. Similarly, additional staff training may be required.</i>		
GDPR breach	<i>Clients may be placed at higher risk of fraud or other financial crime. Personal</i>	<i>Affected clients will need to be contacted. Compensation may be required.</i>		

	<i>information released could cause emotional damage/distress.</i>	<i>Additional staff training may be required.</i>
<i>Inadequate governance, oversight or control of AI adoption and use</i>	<i>Potential poor outcomes from erroneous, biased or unchallenged AI-assisted analysis or decisions if oversight is inadequate. Potential exposure if confidential or personal data is processed by AI tools without appropriate safeguards.</i>	<i>Affected clients may need to be contacted in the event of an erroneous communication or data breach. Compensation may be required. Additional staff training may be required.</i>
Material risks and harms to MAM		
Risk	Potential Harm	Remedial Actions/Additional Own Funds
<i>Prolonged underperformance in one or more products</i>	<i>Reduced fee income, reputational damage, more difficult to attract and retain clients, loss of clients</i>	<i>Review and/or replace Fund Manager, review strategy/investment process/Approved List. Consider closing fund if in the interest of shareholders. Stress tests demonstrate that MAM could continue to operate following a 50% reduction in revenue in year one, and the absence of any new business in the following two years.</i>
<i>Lower markets (which could lead to the above underperformance)</i>	<i>Reduced assets leading to reduced fee income, more difficult to attract and retain clients, loss of clients</i>	<i>Increased cost control (including reduction in staff bonuses). Reduction in discretionary investments e.g. advertising. Stress tests demonstrate that MAM could continue to operate following a 50% reduction in revenue in year one, and the absence of any new business in the following two years. No additional liquid assets required.</i>
<i>Strategy becomes unattractive (which could be as a result of the above)</i>	<i>More difficult to attract and retain clients, loss of clients leads to reduced assets and a reduction in fee income</i>	<i>Launch of new products; changes to existing products to increase their attractiveness to investors. Increased cost control (including reduction in staff bonuses). Stress tests demonstrate that MAM could continue to operate following a 50% reduction in revenue in year one, and the absence of any new business in the following two years.</i>
<i>Significant client withdrawals</i>	<i>Reduced assets, leading to a</i>	<i>Increased cost control (including</i>

(which could be a result of the above, or could be due to a single large investor withdrawing for another reason, for example if their business fails)	<i>reduction in fee income</i>	<i>reduction in staff bonuses).</i> <i>Reduction in discretionary investments e.g. advertising.</i> <i>Stress tests demonstrate that MAM could continue to operate following a 50% reduction in revenue in year one, and an absence of any new business in the following two years.</i> <i>No additional liquid assets required.</i>
Decline in fees (either as a result of client/regulatory pressure to reduce costs, or as a result of the above risks)	<i>A decline in fees is the main risk to MAM as this is where the company's income comes from and would impact whether the business continued to be viable</i>	<i>Increased cost control (including reduction in staff bonuses).</i> <i>Reduction in discretionary investments e.g. advertising.</i> <i>Stress tests demonstrate that MAM could continue to operate following a 50% reduction in revenue in year one, and an absence of any new business in the following two years.</i> <i>No additional liquid assets required.</i>
Loss of Investment Trust (Investment Trusts could be at risk from Arbitrageurs /pressure to open-end or remove investment manager, especially if the trusts' discounts widen significantly)	<i>Potential for the trust to be wound up or taken over, leading to significant loss of fee income. Impact on reputation and track record could reduce ability to attract and retain clients.</i>	<i>Increased cost control (including reduction in staff bonuses).</i> <i>Reduction in discretionary investments e.g. advertising.</i> <i>Stress tests demonstrate that MAM could continue to operate following a 50% reduction in revenue in the first year, and the absence of any new business in the following two years.</i> <i>No additional liquid assets required.</i>
Prolonged absence/ill health of Charles Montanaro or other key staff	<i>Potential loss of knowledge, negative impact on investment process. More difficult to attract and retain clients, loss of clients leads to reduced assets and a reduction in fee income.</i>	<i>Investment Committee and Co- / Backup Fund Managers to provide cover for Charles.</i> <i>Significant increase in client communication and marketing effort.</i> <i>Stress tests demonstrate that MAM could continue to operate following a 50% reduction in revenue in year one and an absence of any new business in the following two years.</i> <i>No additional liquid assets required.</i>
Cyber-crime	<i>System outages, data compromised or lost, financial loss through fraud or blackmail, fines, reputational damage</i>	<i>Note: MAM does not hold client cash or client assets so there is minimal risk of a financial loss to clients originating from MAM's own systems being compromised.</i> <i>All clients may need to be contacted. Potential legal action</i>

		against MAM's service providers. Although MAM has recently invested in best-in-class systems which reduce the likelihood and scope of a potential cyber attack, further investments may be warranted. Similarly, additional staff training may be required.
GDPR breach	Regulatory breaches or fines. Reputational damage.	Maximum fine for a GDPR breach is 4% of turnover or £17.5 million.
Inadequate governance, oversight or control of AI adoption and use	Regulatory action or fines, reputational damage, loss of clients, financial loss from an AI-related error, cyber incident or data breach. Difficulty evidencing SMCR accountability as AI autonomy in a given use case increases. Reputational damage.	Loss of business due to reputational damage - Stress tests demonstrate that MAM could continue to operate following a 50% reduction in revenue in year one and an absence of any new business in the following two years.
Material risks and harms to the Market		
None identified		

Approach to assessing the effectiveness of the Risk Management Function

The risk framework detailing the key risks to MAM, clients and the markets and the mitigation in place is drawn up by the Risk Team. The MAM Board review this formally at least once a year and will question anything they feel requires further investigation. The risks are monitored by the Compliance and Risk Committee, who review the framework at the quarterly Committee meetings. Any new risks arising during the year or any changes to the existing ones are discussed, as well as whether the mitigation measures in place remain sufficient.

OWN FUNDS

Composition of Own Funds

Template OF1 - Composition of regulatory own funds		
Item	Amount {GBP thousands}	Source based on reference numbers/letters of the balance sheet in the audited financial statements
OWN FUNDS	73,673	
Tier 1 Capital	73,673	
Common Equity Tier 1 Capital	73,673	
Fully paid-up capital instruments	574	Note 22
Share premium	1,906	Note 23
Retained earnings	71,193	Statement of change in equity
Accumulated other comprehensive income		
Other reserves		
Adjustments to CET1 due to prudential filters		
Other funds		
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
CET1: Other capital elements, deductions, and adjustments		
Additional Tier 1 Capital	0	
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		

Additional Tier 1: Other capital elements, deductions, and adjustments		
Tier 2 Capital	0	
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM TIER 2		
Tier 2: Other capital elements, deductions, and adjustments		

Reconciliation to audited financial information

The table below shows a reconciliation with own funds in the balance sheet where assets and liabilities have been broken down by asset and liabilities classes respectively. The information in the table below reflects the balance sheet in the audited financial statements.

Template OF2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm. Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only. Figures should be given in GBP thousands unless noted otherwise.				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Tangible fixed assets	2,165		
2	Investments	50		
3	Debtors-within one year	12,263		
4	Current asset investments	61,966		

5	Cash at bank and in hand	4,820		
	Total Assets	81,264		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors – due within one year	3,750		
2	Creditors – due more than one year	-		
3	Deferred taxation	3,841		
	Total Liabilities	7,591		
Shareholders' Equity				
1	Called up share capital	574		
2	Share premium	1,906		
3	Retained earnings	71,193		
	Total Shareholders' equity	73,673		

Main features of MAM's Own Funds instruments

The table below provides information on the CET1 Instruments used by Montanaro Asset Management Ltd. These are the only capital instruments.

Table: main features of own instruments issued by the Firm:

Public or private placement	Private
Instrument type	Ordinary share
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	£574k
Nominal amount of instrument	£574k
Issue price	£1 / 10p
Redemption price	N/A
Accounting classification	Called Up share capital
Maturity date	N/A
Dividends	Fully Discretionary

OWN FUNDS REQUIREMENT

REQUIREMENT	[£'S]
PERMANENT MINIMUM REQUIREMENT	75,000
FIXED OVERHEAD REQUIREMENT	2,120,750
TOTAL K-FACTOR REQUIREMENT	461,000
SUM OF K-AUM, K-CMH AND K-ASA	461,000
SUM OF K-COH AND K-DTF	0
SUM K-NPR, K-CMG, KTCD AND K-CON	0

Overall Financial Adequacy

The internal capital adequacy and risk assessment process (the “ICARA process”) is the core risk management process for FCA investment firms. The ICARA process is a continuous assessment of the harm a firm may pose to clients and markets as part of its ongoing business and during wind-down.

The ICARA process document and associated external disclosures have been reviewed in detail by senior management and therefore has had senior management input throughout the document’s development.

The ICARA will be refreshed on at least an annual basis, typically in conjunction with the annual budgeting process, and in the event of a material change in the business activities or operating model of the Company.

To ensure MAM meets its ongoing capital needs and liquidity requirements, these will be reviewed each month in the management accounts which are distributed to the Management Committees and the Board.

On this basis the Board are satisfied that MAM has sufficient own funds and liquid assets to meet its Overall Financial Adequacy Rule (OFAR) both as to amount and quality to ensure that:

- it is able to remain financially viable throughout the economic cycle, with the ability to address material potential harm that may result from its ongoing activities; and
- its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

REMUNERATION

Qualitative Disclosures

The aim of MAM's Remuneration Policy is to ensure that the remuneration arrangements reward employees appropriately, but also promote sound and effective risk management. In particular, the remuneration arrangements aim to avoid rewarding excessive risk-taking, (either on behalf of MAM, or on behalf of any funds or mandates we manage for customers). It is also designed to ensure that, when taking decisions about remuneration, the impact of reward arrangements on MAM's long-term sustainability are considered.

The total variable remuneration pool is set at the start of each calendar year and determined based on MAM's financial performance in the prior year. In addition to their base salary, employees may be eligible to receive variable compensation that reflects performance in excess of that required to fulfil their job description and terms of employment.

All employees are eligible to receive a bonus. However, bonuses are by nature entirely discretionary and must reflect the individual's performance in the previous year.

Employees may receive:

1. An Ordinary Discretionary Bonus ("OB") made up of the following:
 - a) Up to 30% of their Base Salary in recognition of MAM's overall performance and outlook. This figure is determined by the REMCO.
 - b) Up to 70% of their Base Salary in recognition of personal achievement during the year (as agreed with the individual Line Manager and documented in the year-end appraisal form).
2. An Extraordinary Discretionary Bonus ("EB") in the event that MAM receives a Performance Fee during the year (one third of any Performance Fees are distributed to staff). The EB is made up of two components:
 - a) A Cash Extraordinary Bonus;
 - b) A 3-year Loyalty Bonus ("LB") – such bonus is to be invested in units of Funds or Investment Trusts managed by MAM. The recipient decides how to allocate their LB. Fund Managers must allocate up to 75% of their LB towards Funds or Investment Trusts they manage personally. On the third anniversary of award, the employee may choose to either: i) receive the units; or ii) receive the cash equivalent of the value of the units at the time.

Employees are entitled to receive the deferred portion of variable remuneration only if they remain employed with MAM at the time of vesting. Loyalty Bonuses are subject to clawback to the extent that part or all of the Bonus can be clawed back should the recipient become the subject of a disciplinary hearing.

MAM will base the total amount of remuneration on an assessment of the performance of the employee, the business unit and the Firm's overall results.

When assessing individual performance, both financial and non-financial criteria will be taken into account, including effective risk management, compliance with regulations and appropriate conduct in line with the Firm's values. Poor performance in non-financial criteria will impact financial performance metrics.

MAM will not award guaranteed variable remuneration for employees unless:

- It is on an exceptional basis;
- It is for a new appointment;
- It is limited to the first year of service.

MAM will ensure that any remuneration packages relating to compensation for, or buy out from, an employee's contract with a previous employer, is in the long-term interests of the company and is subject to retention, deferral, performance, and claw back arrangements.

MAM will also ensure that any payments relating to early termination of a contract reflect the performance achieved over time and do not reward failure or misconduct.

The Remuneration Committee, a sub-committee of the Board of MAM, ensures that the total variable compensation paid out in any given year is consistent with the company's financial performance in the previous year. Variable compensation will only be awarded when it is sustainable to the Firm's overall financial situation and taking into account any known future events, the performance of the company, the business unit, and the employee.

Quantitative Disclosures

	Fixed remuneration	Variable remuneration	Total remuneration
Senior Management	1,110,000	824,188	1,934,188
Other Material Risk Takers	1,041,000	784,609	1,825,609
Other staff	1,915,000	1,064,678	2,979,678
Total	4,066,000	2,673,475	6,739,475

	Total amount of guaranteed variable remuneration awarded	Number of Individuals
Senior Management	N/A	0
Other Material Risk Takers	N/A	0

	Total amount of severance payments awarded	Number of individuals
Senior Management	N/A	0
Other Material Risk Takers	N/A	0

Highest severance payment awarded to an individual Material Risk Taker	N/A
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Integration of Sustainability Risks in the Remuneration Policy

The Sustainable Finance Disclosure Regulation (“SFDR” or “the Regulation”), effective from 10 March 2021, was introduced by the European Commission as part of the Action Plan on Sustainable Finance.

The purpose of this section is to address SFDR Article 5 on transparency of remuneration policies in relation to the integration of sustainability risks which states that:

“Financial market participants and financial advisers shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks and shall publish that information on their websites.”

As a regulated financial institution, Montanaro Asset Management is in scope of the Regulation.

Sustainability Risks

A “Sustainability Risk” as defined in Article 2(22) of the Regulation is: *“an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment”*.

Sustainability Risks include (but are not limited to) the following:

- environmental risks;
- social risks; and
- governance risks.

More information related to MAM’s responsibilities under the SFDR, and its approach to Sustainability and Responsible Investment in general, can be found in the following documents:

- ESG Handbook – [available here](#)
- UK Stewardship Code Report – [available here](#)

- CSR Policy – [available here](#)
- Climate Change Policy – [available here](#)
- Shareholder Engagement Policy – [available here](#)
- Voting Policy – [available here](#)
- Modern Day Slavery Statement – [available here](#)

Variable Compensation

Variable compensation will only be awarded when it is sustainable to MAM's overall financial situation and taking into account any known future events, the performance of the company, the business unit, and the employee.

Under MAM's Remuneration Policy, all employees are eligible to receive a bonus. However, bonuses are by nature entirely discretionary and must reflect the individual's performance in the previous year.

Employees may receive:

1. An Ordinary Discretionary Bonus ("OB") which is determined based on:
 - a. The Total Bonus Pool available for distribution – this pool ranges between 15% and 20% of total Management Fees received during the year.
 - b. The individual's annual Performance Rating, as included in their Appraisal.
 - c. The OB typically ranges between 10% and 100% of Base Salary.
2. An Extraordinary Discretionary Bonus ("EB") in the event that MAM receives a Performance Fee during the year (one third of any Performance Fees are distributed to staff). The EB is made up of two components:
 - a. A Cash Extraordinary Bonus;
 - b. A 3-year Loyalty Bonus ("LB") – such bonus is to be invested in units of Funds or Investment Trusts managed by MAM. The recipient decides how to allocate their LB. Fund Managers must allocate up to 75% of their LB towards Funds or Investment Trusts they manage personally. On the third anniversary of award, the employee may choose to either: i) receive the units; or ii) receive the cash equivalent of the value of the units at the time.
3. In some cases, a long-term Incentive Plan which includes either:
 - a. A share in MAM's Employee Benefit Trust ('EBT') – The EBT owns 30% of MAM's share capital on behalf of staff. Individuals invited to participate in the EBT will be entitled to receive dividends.

- b. Options over the equity of MAM – these options vest over a 5-year period. If the awardee leaves MAM before the end of the 5-year period they lose their entitlement to these options.

Review of this Policy

This Addendum will be reviewed together with MAM's Remuneration Policy at least once a year.