



A S S E T M A N A G E M E N T

Combined SDR and Climate Product Report

Montanaro European Smaller Companies Trust

As at 31 December 2025

Currency: GBP

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Introduction

Following the implementation of the UK Sustainability Disclosure Requirements (SDR) regulations, any product which uses a UK Sustainable Investment Label or falls into scope of the naming and marketing rules is required to produce an SDR Product-Level Report annually. This Combined SDR and Climate Product Report has been prepared by Montanaro Asset Management Limited for the Montanaro European Smaller Companies Trust. It brings together the Trust’s SDR Product Level Report and TCFD Product Report in a single document for the reporting period to 31 December 2025.

The Trust does not have a UK sustainable investment label because it does not have a Sustainability Objective. It is, however, in scope of the FCA’s SDR naming and marketing rule because ethical exclusions and ESG integration are embedded across the Trust’s holdings. The purpose of the SDR section is to explain the sustainability characteristics applied to the Trust and to report whether the Trust has remained aligned with those characteristics over the reporting period.

The TCFD Product Report provides product level climate related information for the Trust. The report focuses on financed emissions, carbon intensity, sectoral exposure and the way climate related risks are incorporated into Montanaro’s investment and stewardship process. Montanaro does not currently have Climate Value at Risk or Implied Temperature Rise data for the Trust. These sections have therefore not been included in this report, rather than relying on proxies or unsupported assumptions.

Report information

Item	Detail
Product name	Montanaro European Smaller Companies Trust
Legal status	UK Investment Trust
Listing	London Stock Exchange
Alternative Investment Fund Manager	Montanaro Asset Management Limited
Investment Manager	Montanaro Asset Management Limited
SDR reporting period	2 December 2024 to 31 December 2025
TCFD reporting period	1 January 2025 to 31 December 2025
Portfolio value used for carbon calculations	£261 million
Benchmark	MSCI Europe SmallCap ex UK Index
Sustainability label	No Sustainability Label

Section 1: SDR Product Level Report

Investment objective

The Trust's objective is to achieve capital growth by investing principally in Continental European quoted smaller companies.

Sustainability approach

Montanaro integrates ethical exclusions and ESG analysis across the Trust's holdings. ESG considerations form part of Montanaro's definition of company quality and are embedded in the investment process through the ESG Screen, the ESG Checklist, analyst research, Investment Committee review and ongoing monitoring.

Ethical exclusions

On ethical grounds, the Trust does not invest in companies involved in controversial activities listed on Montanaro's Banned List. These include fossil fuels, controversial weapons, tobacco, alcohol, gambling, pornography, high interest rate lending and animal testing outside healthcare and regulatory contexts.

Montanaro does not invest in companies with any production revenue exposed to these activities. A 10% revenue threshold is applied for companies providing revenue generating products or services linked to the Banned List.

ESG Screen

Montanaro has developed an ESG Screen to rank the Small and MidCap investment universe using selected ESG criteria at both global and European level. The screen uses 10 ESG data criteria, weighted according to importance, to generate a MAM ESG Screen Rating from AAA to D.

The ESG factors considered in the screen include ethics, carbon intensity, water intensity, waste intensity, anti-bribery and ethics policy, women in the workforce, women on the board, board independence, MSCI weighted average score and ESG disclosure score.

In exceptional circumstances, Montanaro may continue to analyse and invest in a D rated company where it meets the minimum requirements set out in the ESG Checklist. All such cases must be approved by the Sustainability Committee.

ESG Checklist

The ESG Checklist is completed by analysts and ESG specialists during the research process. It combines external data with analyst judgement to assess environmental, social and governance factors that may affect the long term quality and resilience of a company. The output is a MAM ESG Score out of 10. Companies scoring below 5 require engagement because one or more material areas of weakness has been identified.

Environmental	Social	Governance
Climate targets, Scope 1 and 2 emissions, Scope 3 emissions, renewable energy, water, waste, biodiversity and exposure to fragile ecosystems.	Diversity, labour practices, health and safety, human rights, supply chain labour, employee turnover, anti-bribery, business ethics, consumer data protection and tax gap.	Board composition, board independence, gender diversity, remuneration, sustainability linked pay, committee composition, audit controls, nomination processes, business ethics and controversies.

Adherence to the sustainability approach

The Trust continued to align with Montanaro’s ESG requirements over the reporting period. All holdings were assessed through Montanaro’s ESG and Quality processes. The Trust did not breach any ethical exclusion criteria during the reporting period. No sustainability related investment breaches were identified.

The Trust holds three companies with an ESG Screen score of D: Brembo, Mensch und Maschine Software and Invisio. Together these holdings represented 5.2% of the portfolio. Each achieved the minimum ESG Checklist threshold, with ESG Checklist scores of 7.0, 5.7 and 6.6 respectively, and each has been reviewed and approved by Montanaro’s Sustainability Committee.

Quality checklists have been completed for all companies in the portfolio. Each holding has met the requirements of the investment process and remains an approved holding.

Assessment point	Finding
Banned List direct exposure	No breach identified.
Banned List indirect revenue threshold	No breach identified.
D rated ESG Screen holdings	Three holdings, all above the minimum ESG Checklist threshold and approved by the Sustainability Committee.
Portfolio exposure to D rated holdings	5.2% of the portfolio.
Quality assessment	Completed for all holdings.

Sustainability metrics

All companies in the portfolio have been assessed using the ESG Checklist. The average ESG Checklist score was 6.3 as at 31 December 2025. Three holdings had ESG Checklist scores below 5: VZ Holding, Gruppo MutuiOnline and Amadeus Fire. These holdings remain approved holdings and are subject to monitoring and engagement where relevant.

Metric	Result as at 31 December 2025
Average ESG Checklist score	6.3
Holdings with ESG Screen rating of D	3 holdings, 5.2% of the portfolio
Holdings with ESG Checklist score below 5	3 holdings
Lowest ESG Checklist score	VZ Holding, 4.2

ESG initiatives, signatories and awards

Montanaro participates in a range of ESG, stewardship and industry initiatives. The firm has been a PRI signatory since 2009 and is a signatory to the UK Stewardship Code. Montanaro is also a certified B Corporation and reports annually on stewardship and climate progress through its public sustainability reporting.

Montanaro engages with external initiatives and industry groups where these are relevant to its investment universe and stewardship priorities. These include the Net Zero Asset Managers initiative, FAIRR, the Tobacco Free Portfolios Finance Pledge, the Living Wage Accreditation scheme, UKSIF, GFANZ, ShareAction and investor collaborations focused on public health and environmental policy.

The firm's climate work is supported by public financed emissions targets, SBTi coverage targets and annual Project Net Zero reporting. Montanaro's firm level ambition is to achieve net zero financed emissions by 2050, with interim targets including a 7% annual reduction in portfolio emissions and 50% of designated AUM covered by SBTi backed targets by 2030.

Section 2: TCFD Product Report

This section provides climate related product level information for the Trust. It is intended to support transparency on financed emissions, carbon intensity, exposure to higher emitting areas of the portfolio and Montanaro’s approach to climate related investment risk and stewardship.

Carbon emissions dashboard

Metric	2025 result	Coverage
Financed carbon emissions, Scope 1 and 2	8.9 tCO ₂ e per £m invested	83.7%
Total financed carbon emissions, Scope 1 and 2	2,326.9 tCO ₂ e	83.7%
Weighted average carbon intensity, Scope 1 and 2	23.2 tCO ₂ e per £m sales	83.7%
Financed carbon emissions, Scope 3 upstream	131.8 tCO ₂ e per £m invested	86.6%
Total financed carbon emissions, Scope 3 upstream	34,398.0 tCO ₂ e	86.6%
Weighted average carbon intensity, Scope 3 upstream	400.1 tCO ₂ e per £m sales	88.3%
Financed carbon emissions, Scope 3 downstream	192.4 tCO ₂ e per £m invested	86.6%
Total financed carbon emissions, Scope 3 downstream	50,207.1 tCO ₂ e	86.6%
Weighted average carbon intensity, Scope 3 downstream	519.9 tCO ₂ e per £m sales	88.3%

Source: MSCI S&C Carbon Footprint Calculator for MESCT, as at 31 December 2025. Allocation base: EVIC. Currency: GBP.

Sectoral carbon footprint

The Trust’s Scope 1 and 2 financed emissions were concentrated in a small number of sectors and holdings. Consumer Discretionary represented 7.8% of portfolio weight but 1,135.8 tCO₂e of Scope 1 and 2 financed emissions, largely driven by Brembo. Consumer Staples also contributed materially, driven by AAK. Industrials and Information Technology were the largest sector weights, but their Scope 1 and 2 financed emissions were more moderate relative to their portfolio weights.

Sector	Weight	Financed Scope 1 and 2 emissions	WACI Scope 1 and 2 contribution	Financed Scope 3 upstream	Financed Scope 3 downstream
Consumer Discretionary	7.8%	1,135.8	6.9	5,149.4	17,096.1
Consumer Staples	2.9%	455.4	3.3	7,339.0	740.5
Industrials	27.7%	263.5	3.0	7,715.5	26,842.3
Information Technology	29.7%	255.2	4.8	10,613.0	4,470.6
Health Care	16.4%	180.6	3.9	2,164.5	996.1
Real Estate	4.4%	18.1	1.1	331.4	2.4
Communication Services	3.1%	13.4	0.1	815.1	30.1
Financials	5.8%	4.9	0.1	269.9	29.1
Materials	2.1%	0.0	0.0	0.0	0.0

Figures are derived from the 2025 MSCI carbon footprint workbook. Sector values may not sum precisely due to rounding.

Largest Scope 1 and 2 contributors

The five largest company contributors accounted for a substantial share of the Trust’s reported Scope 1 and 2 financed emissions. This concentration supports a focused stewardship approach, with engagement prioritised where emissions profile, materiality and company influence justify further dialogue.

Company	Sector	Weight	Financed Scope 1 and 2 emissions	WACI Scope 1 and 2 contribution
Brembo	Consumer Discretionary	2.5%	1,119.0	6.5
AAK	Consumer Staples	2.9%	455.4	3.3
Technoprobe	Information Technology	3.5%	110.0	2.9
Interpump Group	Industrials	2.0%	96.4	1.0
MTU Aero Engines	Industrials	3.0%	67.4	0.7

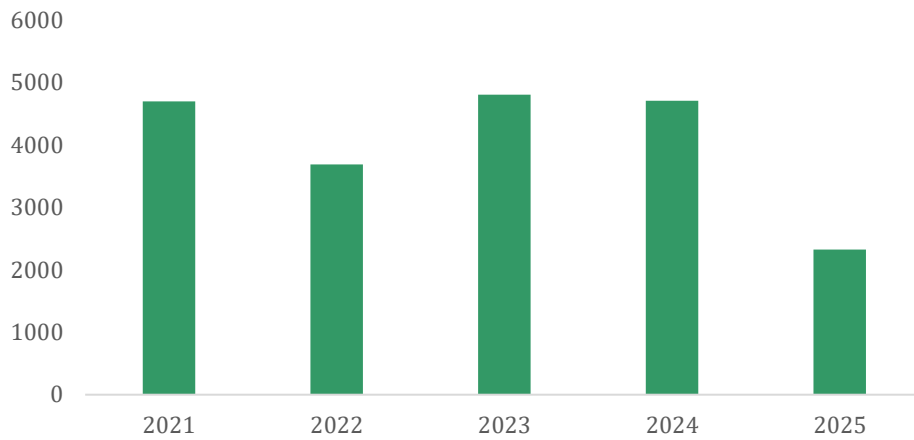
Carbon emissions trends and profile

Over the five year period from 2021 to 2025, the Trust’s Scope 1 and 2 financed emissions fell from 4,698.5 tCO₂e to 2,326.9 tCO₂e, a reduction of approximately 50.5%. Over the same period, weighted average Scope 1 and 2 carbon intensity fell from 39.4 tCO₂e per £m sales to 23.2 tCO₂e per £m sales. Coverage increased from 72.5% in 2021 to 83.7% in 2025.

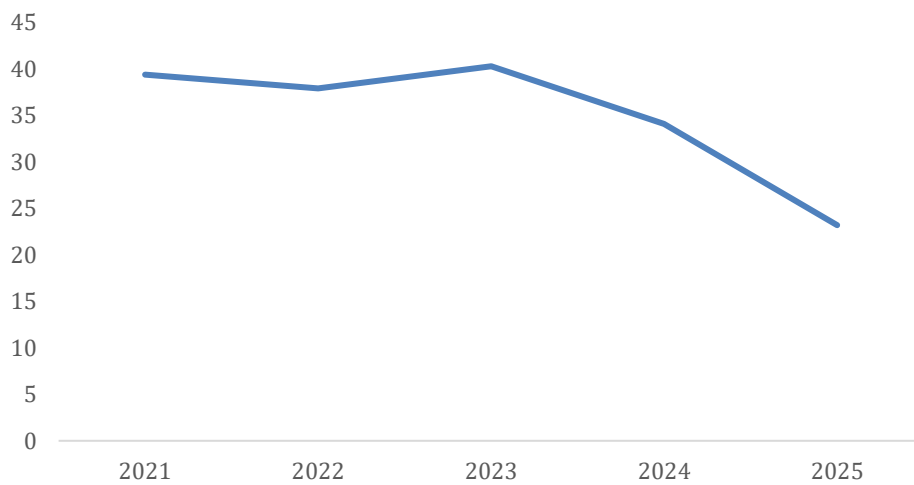
The trend was not linear. Scope 1 and 2 financed emissions increased in 2023 and remained elevated in 2024, before declining significantly in 2025. This reflects a combination of changes in portfolio composition, market values, company emissions profiles and data coverage. The reduction in 2025 should therefore be interpreted as a reported financed emissions outcome, not as a direct measure of real economy decarbonisation across all underlying companies.

Year	Financed Scope 1 and 2 per £m invested	Total financed Scope 1 and 2 emissions	WACI Scope 1 and 2	Scope 1 and 2 coverage	Financed Scope 3 upstream per £m invested	Financed Scope 3 downstream per £m invested
2021	11.6	4,698.5	39.4	72.5%	85.6	62.0
2022	12.5	3,689.4	37.9	79.6%	77.0	68.8
2023	15.7	4,809.9	40.3	87.0%	112.2	225.1
2024	15.2	4,710.5	34.1	91.1%	134.2	270.7
2025	8.9	2,326.9	23.2	83.7%	131.8	192.4

Total financed Scope 1 and 2 emissions (tCO2e)



WACI Scope 1 and 2 (tCO2e/£m sales)



Climate risk management and stewardship

Climate related risks are considered within Montanaro's investment process through the ESG Screen, ESG Checklist, analyst research, Investment Committee discussion and ongoing monitoring. The ESG Checklist incorporates climate targets, Scope 1 and 2 emissions, Scope 3 emissions, renewable energy use, carbon intensity and related environmental indicators.

Montanaro's climate stewardship focuses on encouraging credible transition planning, improved emissions disclosure and adoption of independently validated science based targets where relevant. Engagement priorities are informed by emissions materiality, carbon intensity, company disclosure, sector context and the credibility of existing targets.

Data availability and methodology notes

Area	Disclosure
Data provider	Carbon metrics are sourced from MSCI S&C Carbon Footprint Calculator outputs for MESCT.
Reporting date	Carbon metrics are reported as at 31 December 2025.
Currency	GBP.
Allocation base	Enterprise Value Including Cash.
Coverage	Coverage varies by metric and should be considered when comparing results across years.
Scope 3	Scope 3 data are shown separately for upstream and downstream emissions. Scope 3 disclosure and estimation methodologies are still developing and may be less comparable than Scope 1 and 2 data.
Comparability	Changes in reported financed emissions may reflect company emissions, portfolio weights, market values, methodology and data coverage.

Glossary

Term	Meaning
Consumer Facing Disclosure	A short disclosure designed to provide investors with accessible information on a product's sustainability characteristics.
EVIC	Enterprise Value Including Cash. MSCI uses EVIC as the allocation base for calculating investor ownership of company emissions.
Financed emissions	The emissions associated with an investor's ownership of portfolio companies.
MAM ESG Screen Rating	Montanaro's proprietary ESG screening rating from AAA to D.
MAM ESG Score	The ESG Checklist score assigned to holdings, scored out of 10.
No Sustainability Label	The product does not have a UK sustainable investment label because it does not have a Sustainability Objective.
Scope 1 emissions	Direct greenhouse gas emissions from sources owned or controlled by a company.
Scope 2 emissions	Indirect emissions from purchased electricity, heat, steam or cooling.
Scope 3 emissions	Other indirect emissions in a company's value chain, including upstream and downstream emissions.
SDR	The UK Sustainability Disclosure Requirements and investment labels regime.
TCFD	Task Force on Climate related Financial Disclosures.
WACI	Weighted average carbon intensity. A measure of a portfolio's exposure to carbon intensive companies, calculated as the weighted average of company emissions relative to sales.

Further information

For more information on our Ethical exclusions and ESG process please visit our ESG Handbook, which can be found in the sustainability section of our website: <https://montanaro.co.uk/sustainable-investing/>

For the Investment Trust’s factsheet, Key Information Document (KID), Investor Disclosure Document and annual report, please visit: <https://montanaro.co.uk/trust/montanaro-european-smaller-companies-trust/>

For more information on the Sustainability disclosure and labelling regime, please see: <https://www.fca.org.uk/firms/climate-change-and-sustainable-finance/sustainability-disclosure-and-labelling-regime>

Share class	ISIN
Sterling	GB00BM8H3X05

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