

CORPORATE SOCIAL RESPONSIBILITY (“CSR”) POLICY

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INTRODUCTION

Montanaro is committed to the promotion of equitable and sustainable business practices. How business is done today impacts how people can live tomorrow. This is particularly true for an Asset Manager: how we allocate capital shapes the world around us. We act as fiduciaries of our clients’ assets, investing responsibly on their behalf to grow and preserve the value of their investments.

We aim to be the Gold Standard of Small & MidCap investing. Through active ownership and engagement, we seek to encourage smaller companies around the world to support and embrace the Sustainability Revolution.

In June 2019, Montanaro became a B Corporation, a company certified for meeting the highest verified standards of social and environmental performance, transparency and accountability.

We aim to act with the highest standards across the entirety of our organisation. Our Corporate Social Responsibility (CSR) Policy explains how we seek to achieve this.

The policy is heavily influenced by ISO 26000¹, *Guidance on social responsibility*. We have also taken into consideration the GRI Sustainability Reporting Guidelines – G4.

Montanaro is a UN PRI signatory (since 2009) and has been awarded the “Label ISR” by the French Ministry of Finance. Our other commitments include:

- UK Stewardship Code (Tier 1 Rating)
- Carbon Disclosure Project
- LGPS Code of Transparency
- Montreal Pledge
- TCFD



¹ Please note that ISO 26000:2010 provides guidance rather than requirements, so it cannot be certified to unlike some other well-known ISO standards. ISO 26000 is informed by: The UN Global Compact; UN Declaration of Human Rights; International Labour Org.; UN Sustainable Development Goals; OECD Guidelines; UN Working Group on Business & Human Rights; GRI Global Reporting.

OUR PEOPLE

We are a people business and our employees are our greatest asset.

Ethos: We strive to provide an environment that is stimulating, supportive, rewarding and safe for those who create, manage and administer our Funds. The physical and mental health of our staff is of the utmost importance. Staff are supported in maintaining a healthy work-life balance and managing commitments such as family.

Diversity: We are proud of our diverse, multicultural and multinational team. This enhances collaboration and teamwork, leading to better outcomes for our clients and other stakeholders.

Talent development: Our priority is to develop existing talent and promote from within. We want to retain staff for the best years of their careers. Montanaro supports employees with learning and development opportunities. We have a training budget that all staff are strongly encouraged to utilise and regular in-house training is also arranged by the Head of Research.

Performance reviews: We conduct semi-annual performance reviews where clear and achievable targets are set. These focus on long-term performance and worry less about short-term goals. We conduct regular employee engagement surveys, the results of which are shared with staff.

Wellbeing: We take the wellbeing of our staff at heart – after all, people will only give their best if they are happy at work. We work in a bright open plan office and insist on all staff achieving a good work-life balance. All our employees have a minimum annual holiday allowance of 25 days, which increases by one day with every additional year of service beyond 3 years, up to a maximum of 30 days.

In addition, after 5 years of service, employees receive a £250 voucher to spend on activities of their choice. Every 10 years, they earn the right to a fully paid one-month sabbatical.

Fresh fruit is delivered to the office twice a week for all to enjoy. We also hold weekly yoga sessions in our Boardroom and organise regular team-building and fun days out of London. We celebrate every birthday in the office.

Charity: We support employees in their charitable and voluntary endeavours. These are explained in greater detail below.

Listening: We place great value in listening to people – our clients, our companies and of course our staff. In addition to performance reviews, we conduct anonymous staff surveys to give people an opportunity to air their thoughts, ideas and frustrations which they might not be willing to do otherwise.

OUR CLIENTS

We view our clients as partners and seek to develop meaningful and long lasting relationships.

Strong relationships: We are not interested in gathering assets for the sake of it. Rather, we seek to build long lasting relationships with clients and investee companies. This allows us to fully understand their investment objectives *before* they invest and hopefully continue to work with them for as long as possible (some of our clients have been invested with Montanaro for more than 20 years; some investments have been held for more than 20 years).

Reporting: Alongside our focus on producing attractive investment returns, we seek to provide best-in-class client service and reporting. Our reporting is thorough, transparent and bespoke. It is important that clients fully understand how we generate their investment returns.

Engagement: We are fortunate that our clients share our belief that, in order to generate sustainable investment returns, companies need the support of long-term and engaged shareholders. We work with clients to engage on the subjects that are of relevance and importance to them.

Marketing: Our marketing material is factual and unbiased. The information we provide is fair and in line with regulatory requirements.

GOVERNANCE

We take care to implement the highest standards of governance.

From the Board to our Executive Committee, Montanaro practices and promotes ethical behaviour, high levels of accountability and absolute transparency.

Respect: We have respect for international norms of behaviour and respect for human rights, as set out in the UN Global Compact.

Laws & regulations: At all times we strive to abide by the laws and regulations that apply to our business and the financial markets in which we operate. We aim to have strong and open relationships with financial regulators.

Accountability: Management are held accountable for their decisions and activities by the Montanaro Board, the regulators, and our clients.

Transparency: We have an open door policy at Montanaro. Decisions taken at a senior level are shared with staff. The Chairman and CEO present an annual “*State of The Nation*” address to staff, reviewing the business from a financial and operational perspective. Clear objectives for the business are set every year.

OUR INVESTMENTS

We are truly long-term shareholders and have been invested in certain companies for well over a decade.

Long-term: We are truly long-term investors. We strive to understand where a company hopes to be in 5 - 10 years' time and how it aims to achieve its goals. Having identified a high quality business, we typically "Buy and Hold". We have held investments in companies for over twenty years.

Sustainability is part of our investment DNA: It 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. The result is that our investment decision makers "do" sustainability analysis.

ESG: We do not differentiate between the financials of a company and ESG. The two are intrinsically linked and help us to identify what is ultimately important to sustainable investment returns: the Quality of the business and the industry it operates in. As a result, Analysts conduct both fundamental and ESG research on the companies under their coverage.

Impact: Our Better World Fund seeks to invest in companies whose products or services are helping to solve some of the major problems facing the world. We are Responsible Investors and recognise that we have a role to play in shaping a more sustainable form of capitalism.

Engagement: As fiduciaries of our clients' assets, we take our shareholder responsibilities seriously. Through regular interaction with management teams we seek to promote high standards of ethics, an awareness of environmental and social issues and transparent corporate governance practices. We have an active policy of proxy voting and a track record of seeking to improve companies through engagement rather than exclusion.

Voting: We are active rather than activist investors. We vote at every AGM and will happily abstain or vote against resolutions we do not support and engage with management or the Board in the process. We set out our views about Executive Remuneration in a separate paper which is available upon request.

COMMUNITY

Montanaro supports a variety of charitable causes, both at home and abroad.

We are a truly Sustainable Business: We encourage our colleagues to live sustainably at Montanaro and in the world beyond. In recent years we have launched a number of sustainability initiatives: we have policies to reduce energy use and waste; we offset our carbon footprint; and we are active in the community via charitable work and donations. Our sustainable focus became embedded within the legal framework of our company when we became a certified “B Corporation” in 2019.

Charity: Our charitable work has clear social objectives. We aim to help those less fortunate than ourselves, including the homeless, the displaced, and ageing members of our community. We also aim to increase the provision of healthcare to communities who do not have easy access to modern medicine. In 2019, we partnered with **The Giving Department** to identify charities where we can make a meaningful difference, via donations and the volunteering of our staff. As a result, we are delighted to begin by supporting **City Harvest London**.

Annual Charity Day: Montanaro organises an annual Charity Day, encouraging staff to work for a range of charities such as soup kitchens, care homes and other social enterprises.

Tribal Survival: Montanaro launched and supports **Tribal Survival**, a UK registered charity, which aims to promote the wellbeing of indigenous people across the world by providing access to medicines otherwise not available to them. On a regular basis, Charles Montanaro accompanies a group of doctors to deliver medicines to Tribes such as the Korowai of West Papua.

Charity Matching Scheme: Donations raised by employees for charitable causes are matched by the company.

Volunteering: Staff are supported in volunteer roles, for example that of a School Governor or Charity Trustee.

ENVIRONMENT

Montanaro is committed to reducing its environmental impact.

Net Zero Carbon: We are working with certain investee companies to encourage them to set and meet Net Zero Carbon targets by no later than 2030. At COP 25, we joined fellow B Corporations to announce that Montanaro would achieve Net Zero by 2030. We have partnered with Climate Care to offset the impact of our business travel.

Energy conservation: We are based in a Grade 2 listed building a few doors down from the “Old Lady of Threadneedle Street”, the Bank of England. The Bank has been there since 1744 and our building is not much younger. We keep the office as eco-friendly as possible by turning our lights off at night and powering down computers when we leave our desks in the evening.

Recycling: We have a number of recycling centres across the office. Staff are asked to recycle paper, confidential waste, cardboard, plastic, batteries and printer cartridges. Signs by our printers remind staff to consider their volume of printing. In addition, we organise a periodic collection of electrical items so that staff can safely dispose of e-waste and other hazardous material in an environmentally friendly way.

Suppliers: We use environmentally preferred vendors for office supplies and we evaluate suppliers of goods and services based on their environmental impact.

Carbon offsetting: Montanaro is committed to offsetting its Carbon Footprint and we work towards a reduction of our footprint over time. We recognise that some intensive uses of carbon – such as air travel – are unavoidable in a business such as ours. This is why we offset our Carbon Emissions each quarter via ClimateCare, an environmental and social impact company which helps to fund projects such as the development of clean energy sources. As a signatory to the Carbon Disclosure Project (CDP), we also encourage our investee companies to report their carbon emissions on a voluntary basis. More recently, Montanaro committed to supporting the Task Force on Climate-related Financial Disclosures (TCFD).

We report publicly on all of the above in our [Better World Fund Impact Report](#).

MONTANARO & THE UN SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals (SDGs) are a plan of action “for people, planet and prosperity²”. Below, we briefly explain how Montanaro support the aims of the goals.

 <p>1 NO POVERTY</p>	<p>We ensure staff are fairly rewarded for the work that they do. We also ask our investee companies to apply this principle within their own operations and supply chains.</p>
 <p>2 ZERO HUNGER</p>	<p>Our charitable work seeks to provide for people without the certainty of the next meal. All staff participate in our annual charity day, which includes work at a Rescue Centre and Soup Kitchen.</p>
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>We encourage healthy eating by providing fruit in the office. In turn, this helps to fund sustainable farming in Malawi. We also host a weekly yoga class which helps staff to de-stress and practice relaxation techniques.</p>
 <p>4 QUALITY EDUCATION</p>	<p>We have a training budget that staff are encouraged to use to further their personal and professional development.</p>
 <p>5 GENDER EQUALITY</p>	<p>Montanaro offers a workplace based on equal opportunities. We are committed to equal pay, regardless of gender.</p>
 <p>6 CLEAN WATER AND SANITATION</p>	<p>We do not provide plastic cups for staff at our water fountain. This reduces our waste and is better for the environment.</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>We are exploring ways to increase the use of renewable energy to power our office.</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Montanaro is responsibly managed so that employees’ jobs are secure and do not depend on the cyclical swings of the financial markets.</p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>We work hard to identify and invest in innovative and fast growing smaller companies that are sustainably managed and help to create jobs.</p>
 <p>10 REDUCED INEQUALITIES</p>	<p>Our team is diverse, multicultural and multinational. We have 30 members of staff, representing over 9 nationalities.</p>

² <https://sustainabledevelopment.un.org/post2015/transformingourworld>

<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p>We aim to be a leading example of a sustainable and responsible business within our community. In the coming months, we are seeking to become a Certified B Corporation.</p>
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>We encourage staff to be responsible consumers, both in the office and at home.</p>
<p>13 CLIMATE ACTION</p> 	<p>We are working with our landlord to ensure that the environmental footprint of our building is reduced. We offset our carbon footprint via ClimateCare.</p>
<p>14 LIFE BELOW WATER</p> 	<p>We aim to minimise the use of single use plastic in our offices.</p>
<p>15 LIFE ON LAND</p> 	<p>We all abide by our recycling policy which covers staff in the office and when they work from home or virtual offices.</p>
<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>Montanaro aims to practice and promote ethical behaviour and support the financial regulator in upholding a fair and just financial system. We are committed to the UK Corporate Governance Code.</p>
<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<p>We are signatories to the UN PRI, the CDP, and the Montreal Pledge.</p>