MONTANARO

ASSET MANAGEMENT

Combined SDR and Climate Product Report

Montanaro UK Smaller Companies Investment Trust

As at 31 December 2025

Currency: GBP

Contents

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 UK Smaller Companies Investment 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 UK Smaller Companies Investment 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	£229 million
Benchmark	Numis Smaller Companies Index (ex-IC)
Sustainability label	No Sustainability Label

Section 1: SDR Product Level Report

Investment objective

The Trust's objective is to achieve capital growth by investing in quoted UK smaller companies and to outperform its Benchmark, the Numis Smaller Companies Index (ex-IC). The Trust invests primarily in quoted UK smaller companies with a market capitalisation smaller than the largest constituent of the Numis Smaller Companies Index at the time of initial investment.

Sustainability approach

Montanaro applies ethical exclusions and ESG analysis across the Trust's holdings. ESG considerations support Montanaro's assessment of company quality and are considered through analyst research, screening, ESG Checklists where completed and ongoing monitoring.

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 other minimum standards are met.

Ongoing ESG Monitoring

ESG Checklists are completed for the majority of holdings as part of the research and monitoring process. They combine 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.

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 met its ESG requirements over the reporting period. During the reporting period, each holding met the requirements of the investment process and remained an approved holding.

The Trust holds four companies with an ESG Screen score of D: Chemring, Hill & Smith, Cohort and A.G. Barr. Together these holdings represented 6.3% of the portfolio. Each achieved the minimum ESG Checklist threshold, with ESG Checklist scores of 5.2, 6.7, 6.0 and 7.6 respectively, and each has been reviewed and the minimum standards to remain approved holdings are met.

Assessment point	Finding
Banned List direct exposure	No breach identified.
Banned List indirect revenue threshold	No breach identified.
D rated ESG Screen holdings	Four holdings, all above the minimum ESG Checklist threshold and approved by the Sustainability Committee.
Portfolio exposure to D rated holdings	6.3% of the portfolio.
Quality assessment	Completed for all holdings during the reporting period.

Sustainability metrics

During the reporting period, all companies in the portfolio were assessed using the ESG Checklist. The average ESG Checklist score was 6.6 as at 31 December 2025. No holdings had ESG Checklist scores below 5. The lowest ESG Checklist score was 5.0 for The Beauty Tech Group. The Trust held four companies with an ESG Screen score of D, all of which met the minimum ESG Checklist threshold.

Metric	Result as at 31 December 2025
Average ESG Checklist score	6.6
Holdings with ESG Screen rating of D	4 holdings, 6.3% of the portfolio
Holdings with ESG Checklist score below 5	0 holdings
Lowest ESG Checklist score	The Beauty Tech Group, 5.0
Number of holdings with ESG Checklist score	46 holdings

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 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.

Montanaro has also received independent recognition for its work in responsible investment. In recent years, this has included being named Sustainable Investment Fund Manager of the Year by Investment Week in 2025, and ESG Champion of the Year by the Financial Times / Investors' Chronicle in both 2024 and 2023.

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	18.6 tCO2e per £m invested	97.8%
Total financed carbon emissions, Scope 1 and 2	4,252.1 tCO2e	97.8%
Weighted average carbon intensity, Scope 1 and 2	32.9 tCO2e per £m sales	97.8%
Financed carbon emissions, Scope 3 upstream	366.4 tCO2e per £m invested	97.8%
Total financed carbon emissions, Scope 3 upstream	83,747.7 tCO2e	97.8%
Weighted average carbon intensity, Scope 3 upstream	403.1 tCO2e per £m sales	97.8%
Financed carbon emissions, Scope 3 downstream	84.9 tCO2e per £m invested	97.8%
Total financed carbon emissions, Scope 3 downstream	19,399.3 tCO2e	97.8%
Weighted average carbon intensity, Scope 3 downstream	179.7 tCO2e per £m sales	97.8%

Source: MSCI S&C Carbon Footprint Calculator for MUSCIT, 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 Staples represented 8.1% of portfolio weight but 2,358.5 tCO2e of Scope 1 and 2 financed emissions, largely driven by M.P. Evans Group, Cranswick and Hilton Food Group. Industrials represented the largest sector weight and also contributed materially to reported Scope 1 and 2 financed emissions. Materials exposure was entirely attributable to Marshalls in the 2025 carbon footprint workbook.

Sector	Weight	Financed Scope 1 and 2 emissions	WACI Scope 1 and 2 contribution	Financed Scope 3 upstream	Financed Scope 3 downstream
Consumer Staples	8.1%	2,358.5	17.9	54,847.9	2,426.9
Industrials	30.1%	930.9	7.1	13,070.7	14,850.6
Materials	3.9%	489.7	3.2	4,784.2	155.7
Consumer Discretionary	12.5%	320.5	2.8	3,249.5	864.8
Information Technology	18.6%	92.5	0.8	2,282.3	459.3
Communication Services	8.1%	36.7	0.2	3,783.1	434.4
Real Estate	8.0%	14.2	0.7	341.3	6.7
Health Care	1.8%	4.7	0.1	223.7	167.8
Financials	8.9%	4.4	0.1	1,165.0	33.1

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.

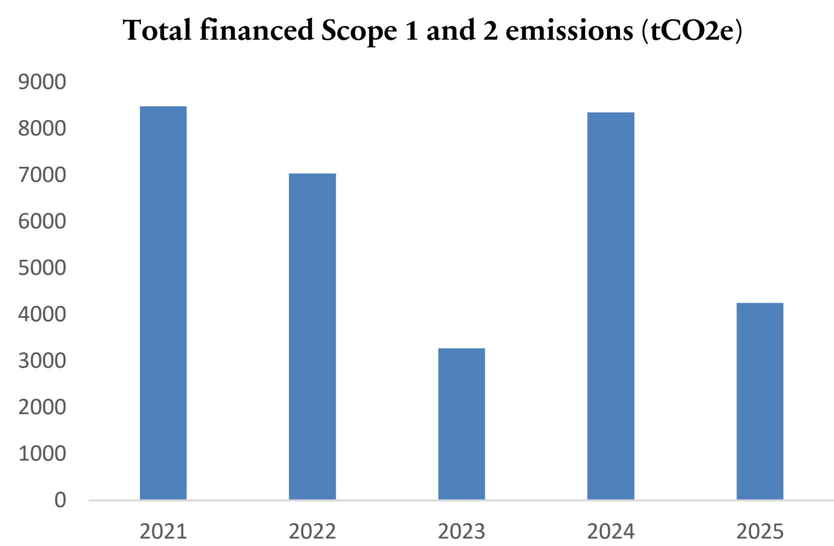
Company	Sector	Weight	Financed Scope 1 and 2 emissions	WACI Scope 1 and 2 contribution
M.P. Evans Group	Consumer Staples	1.7%	1,611.7	15.5
Porvair	Industrials	3.6%	521.0	3.8
Marshalls	Materials	3.9%	489.7	3.2
Cranswick	Consumer Staples	3.6%	380.5	1.9
Hilton Food Group	Consumer Staples	2.8%	366.3	0.5

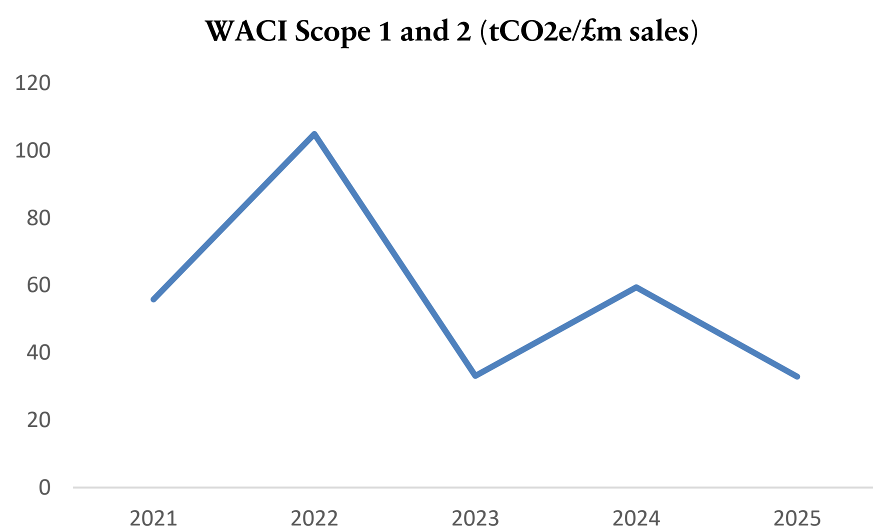
Carbon emissions trends and profile

Over the five year period from 2021 to 2025, the Trust's Scope 1 and 2 financed emissions fell from 8,485.2 tCO2e to 4,252.1 tCO2e, a reduction of approximately 49.9%. Over the same period, weighted average Scope 1 and 2 carbon intensity fell from 55.8 tCO2e per £m sales to 32.9 tCO2e per £m sales. Coverage increased from 58.7% in 2021 to 97.8% in 2025.

The trend was not linear. Scope 1 and 2 financed emissions were elevated in 2021, 2022 and 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	26.9	8,485.2	55.8	58.7%	124.3	39.0
2022	32.0	7,034.8	104.9	71.6%	143.8	46.0
2023	14.3	3,272.6	33.1	91.2%	175.8	67.3
2024	40.9	8,349.1	59.4	91.4%	405.0	121.7
2025	18.6	4,252.1	32.9	97.8%	366.4	84.9





Climate risk management and stewardship

Climate related risks are considered within Montanaro's investment process through the ESG Screen, ESG Checklist process where relevant, 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 MUSCIT.
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/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-uk-smaller-companies-trust/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	GB00BZ1H9L86

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