

CORPORATE SOCIAL RESPONSIBILITY (“CSR”) POLICY (& Climate Change Statement)

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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 2019 MAM became a certified B Corporation, meeting the highest standards of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose. We recertified in 2022 with a score of 105.5, significantly improving on our initial 81.8 in 2019 —an achievement of which we are proud.

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.

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 upmost 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 organise regular team-building and fun days out of London.

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: The Montanaro 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.

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 our voting guidelines, available on our website.

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 via carbon removals; 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: We support charities with meaningful social or environmental causes through staff volunteer days out. We help City Harvest distribute surplus food to over 350 London community programmes and assist Rewilding Britain with the River Sherford project in Dorset to restore wildlife rich wetlands and reduce flooding.

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 (Climate Change Statement)

Montanaro is committed to tackling climate change. We do not invest in companies involved in the extraction or production of fossil fuels.

At COP 25, we joined fellow B Corporations to announce that Montanaro would aim to achieve Net Zero Carbon by 2030. We have since updated our target to be Carbon Negative by 2030 via our “Project: 2030”.

We appointed environmental consultant Green Element to help measure our environmental footprint. This has allowed us to map our emissions across Scopes 1, 2 and 3 and design a pathway towards net zero. This supports existing policies that we have in place, which are designed to conserve electricity, appoint sustainable suppliers, and reduce and manage office waste responsibly.

We have partnered with Klimate, to provide access to high-quality, innovative, and verifiable carbon removal solutions, aligned with science. In this way, we have adopted a “portfolio-type” approach, where we select a number of carbon removal projects and technologies. Examples of these projects include a pioneering Direct Air Capture (DAC) company leveraging renewable and geothermal energy in Kenya; sequestering carbon through bio-oil injection into geological reservoirs; and a project utilising microbial carbon mineralisation to lock away CO₂ in agricultural soils. Additional projects include biochar initiatives and soil sequestration efforts through regenerative agriculture. All are independently verified to ensure their integrity.

We have also joined a number of industry initiatives designed to encourage companies to take meaningful action against climate change:

- **GFANZ (Glasgow Financial Alliance for Net Zero)**: a global coalition of financial institutions committed to achieving net-zero emissions. We support its mission by contributing to key workstreams on the Real Economy Transition, Nature, and Public Policy, helping to shape industry-wide approaches to net zero.
- **NZAM (Net Zero Asset Managers initiative)**: a subset of GFANZ, focusing on aligning asset managers’ portfolios with net zero by 2050. As a signatory since 2021, we are committed to integrating net zero targets across our investments. Our financed emissions goals drive engagement with investee companies, ensuring we identify and prioritise the highest emitters for meaningful action.
- **Project: Net Zero Carbon**: In 2020, we launched Project: Net Zero Carbon, a long-term engagement initiative encouraging companies to set and meet net zero carbon targets. We publish an annual report on our company’s progress and actively encourage our companies to set Science-Based Targets (SBTs), viewing the Science Based Targets initiative (SBTi) as the gold standard. Our goal is for 50% of in-scope AUM to have joined SBTi by 2030, increasing to 100% by 2040.
- **CDP (formerly the Carbon Disclosure Project)**: CDP run a global disclosure system for environmental impact. As a member since 2015, we joined the Non-Disclosure Campaign in 2022 to push for greater corporate transparency. We remain actively involved, leading engagements, co-signing letters, and preparing materials to drive higher disclosure rates each year

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.</p>
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>We encourage healthy eating by providing fruit in the office.</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>Our office is predominantly powered by renewable energy.</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 39 members of staff, representing multiple 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. We are 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 have a Carbon Negative target in place for 2030.</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 a range of industry initiatives, including the PRI and UK Stewardship Code.</p>