MONTANARO
ASSET MANAGEMENT

Biodiversity Policy

November 2026

The long-held assumption that the biosphere is external to the human economy has contributed to nature's value being overlooked in economic decision-making. Our economies, livelihoods and well-being depend on functioning ecosystems. As The Economics of Biodiversity: The Dasgupta Review argues, we are embedded within nature, rather than separate from it.[1]

Montanaro Asset Management (MAM) recognises that biodiversity loss and ecosystem degradation can create risks for investee companies, while the transition towards more sustainable use of natural resources can also present opportunities. This policy sets out how nature-related considerations inform our ESG analysis, impact investment approach and stewardship activities.

For the purposes of this policy, nature is the natural world, including living organisms, their diversity and their interactions with each other and the environment. Biodiversity refers to the diversity of life within species, between species and across ecosystems.[2]

1. Biodiversity in ESG analysis

Biodiversity is considered within the environmental section of our proprietary ESG Checklist. The following four indicators form part of our assessment of investee companies:

- Business exposure to operations involving land or ecosystem disturbance;
- Proportion of operations located in geographies with highly fragile ecosystems;
- Biodiversity and land use exposure score; and
- Presence of a biodiversity policy.

We use information from MSCI and investee company reporting, supplemented by our own research where appropriate. These indicators help us to identify potential nature-related dependencies, impacts and risks, including risks arising from water scarcity, habitat degradation, pollution, land-use change and supply chains. Where material issues are identified, we may undertake further due diligence or prioritise the company for engagement.

Nature-related risks may be physical, such as reduced access to water or declining ecosystem services, or transition-related, such as changing regulation, litigation, market expectations and reputational pressures. Nature-related dependencies and impacts can be location-specific, and data coverage is incomplete. Third-party scores and portfolio-level screening therefore provide an initial assessment rather than a definitive measure of a company's biodiversity footprint.

2. Positive impact and biodiversity

For our global impact strategies, we assess whether a company's products or services contribute to one or more of our impact themes. Environmental Protection is particularly relevant to biodiversity and nature, including UN Sustainable Development Goals 14 (Life Below Water) and 15 (Life on Land). Relevant sub-themes include:

- Pollution control;
- Water treatment; and
- Waste recycling and management.

Solutions in these areas can reduce pressures on ecosystems by improving water quality, limiting pollution and promoting more efficient use of resources.

3. Taskforce on Nature-related Financial Disclosures (TNFD)

MAM is an inaugural Early Adopter of the TNFD recommendations and a member of the TNFD Forum. Having contributed feedback during the framework's development, we published our first TNFD Report in 2025. The report sets out our approach across the TNFD's four disclosure pillars: governance, strategy, risk and impact management, and metrics and targets.[3]

We use the TNFD's Locate, Evaluate, Assess and Prepare (LEAP) approach to support our assessment of nature-related issues across investment portfolios:

- Locate – identify where investee companies interact with nature;
- Evaluate – consider relevant dependencies and impacts;
- Assess – identify nature-related risks and opportunities, including their potential financial relevance; and
- Prepare – use the findings to inform investment research, stewardship and reporting.

Our portfolio-level assessment includes a nature-related risk heat map, drawing on available company and third-party data to identify areas of potentially heightened exposure. As disclosed in our 2025 TNFD Report, this helps to guide further analysis and engagement. The quality of conclusions remains constrained by limited location-specific company disclosures and the developing availability and comparability of biodiversity metrics.[3]

The TNFD published updated recommendations and version 2.0 of its LEAP guidance in October 2026. These updates include additional guidance on the state of nature, invasive alien species, environmental crime, nature-related risk assessment and assessments of financial institutions' portfolios. We will consider relevant developments as we review our nature-related analysis and reporting, proportionate to the materiality of the issues and data available.[4]

Our approach is also informed by the objectives of the Kunming–Montreal Global Biodiversity Framework, particularly Target 15, which addresses the assessment and disclosure of businesses' and financial institutions' biodiversity-related impacts, dependencies and risks.[5]

4. Stewardship and engagement

We use our ESG Checklist, TNFD-informed portfolio analysis and company research to identify nature-related engagement priorities. Our objective is to encourage investee companies to improve their understanding, management and disclosure of material nature-related impacts, dependencies and risks, and to consider opportunities to reduce harm to ecosystems.

Depending on the company's business model and exposure, engagement topics may include land use and deforestation, water stress and wastewater, pollution, sustainable sourcing, supply-chain traceability, biodiversity policies and targets, and the adoption of relevant TNFD-aligned disclosures. We seek clear objectives and evidence of progress where feasible, recognising that meaningful ecological outcomes may take time to materialise.

Alongside direct engagement, we support collaborative initiatives that address systemic nature-related challenges:

- Business Coalition for a Global Plastics Treaty – MAM has supported the coalition's advocacy for an ambitious, legally binding agreement and harmonised measures to tackle plastic pollution.[6]
- PRI Spring – MAM is an official endorser of this investor stewardship initiative focused on nature-related risks, including deforestation and land degradation. Endorsement signals support for the initiative's objectives; it is distinct from participating directly in its company engagements.[7]

5. Protecting Nature at MAM

Volunteering and partnerships

Alongside our investment activities, MAM supports practical nature restoration and environmental volunteering. We have worked with Rewilding Britain and supported nature-recovery initiatives in Dorset, including wetland restoration linked to the River Sherford and Dorset Wildlife Trust's Wild Woodbury project.

Wild Woodbury is a 170-hectare community rewilding project near Bere Regis. Restoration of wetlands, natural water systems and other habitats seeks to improve biodiversity and water quality, while providing opportunities for community involvement. Dorset Wildlife Trust has recognised Montanaro's support for the project's wetland restoration work.[8]

We also encourage staff to participate in environmental volunteering. Previous activities have included Thames21 river and foreshore clean-ups, which provide practical opportunities to support healthier waterways and learn about local environmental pressures.

Urban beekeeping

MAM has previously installed beehives on its office roof as part of its wider interest in urban pollination and nature. We recognise that urban biodiversity depends on a range of native pollinators and suitable habitats; managed beehives alone should not be treated as evidence of improved biodiversity. Protecting and creating suitable habitat remains important to pollinator health.

6. Governance and policy review

Responsibility for MAM's sustainability strategy, including nature-related matters, rests with the Board of Directors. Our Sustainable Investments function supports implementation, with oversight from the Sustainability Committee, which meets quarterly to review ESG analysis, stewardship activity and relevant sustainability matters.[3]

This policy is reviewed at least annually and updated where appropriate to reflect developments in our investment approach, relevant standards, data availability and nature-related risks. It describes our general approach; specific exclusions, investment criteria and stewardship arrangements are governed by the applicable investment policies, mandates and supporting procedures.

References

[1] HM Treasury, The Economics of Biodiversity: The Dasgupta Review (2021): https://www.gov.uk/government/publications/final-report-the-economics-of-biodiversity-the-dasgupta-review

[2] Díaz, S. et al. (2015), "The IPBES Conceptual Framework – connecting nature and people".

[3] Montanaro Asset Management, TNFD Report 2025: https://montanaro.co.uk/wp-content/uploads/TNFD-Report-Final.pdf

[4] TNFD, Recommendations (October 2026) and LEAP approach v2.0 (October 2026): https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/; https://tnfd.global/publication/additional-guidance-on-assessment-of-nature-related-issues-the-leap-approach/

[5] Convention on Biological Diversity, Kunming–Montreal Global Biodiversity Framework, Target 15: https://www.cbd.int/gbf/targets/15

[6] Business Coalition for a Global Plastics Treaty, 2026 policy recommendations: https://www.businessforplasticstreaty.org/latest/our-2026-policy-recommendations

[7] PRI, Spring investor initiative (participant and endorser distinction): https://www.unpri.org/investment-tools/stewardship/spring/companies

[8] Dorset Wildlife Trust, Wild Woodbury project: https://www.dorsetwildlifetrust.org.uk/what-we-do/conservation-work-land/wild-woodbury