

APPENDIX

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Montanaro UK Income Fund

Legal entity identifier: 635400QDCQQGXYS5U77

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes ● ○ ✘ **No**

<p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___%</p> <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___% ✘</p>	<p><input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <p><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>
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What environmental and/or social characteristics are promoted by this financial product?

The Fund seeks to promote environmental characteristics including:

- the prevention of climate change
- the reduction of greenhouse gas emissions
- the prevention of resource depletion
- the reduction of waste and pollution

The Fund seeks to promote social characteristics including:

- improving working conditions
- improving health and safety
- improving employee relations

- achieving better diversity

The Fund will not invest in companies with more than 10% revenue exposure to:

- Tobacco;
- Alcohol;
- Manufacturing or supply of weapons;
- Pornography;
- Gambling;
- High-interest Rate Lending;
- Fossil Fuels; and
- Animal Testing (except for human healthcare purposes).

(together the "Revenue Exclusions")

The Investment Manager ensures that at least 90% of portfolio securities (as a % of Net Assets) are subject to an environmental, social and governance ("ESG") analysis (which is described further below).

The Investment Manager conducts quantitative and qualitative assessments of the ESG profile of the companies held in the Fund covering environmental policy, social policy and governance policy, each as further described below. As part of the quantitative and qualitative assessments, the Investment Manager seeks to score a company's ESG profile by assessing it against its own environmental, social and corporate governance policies. The performance of companies under these policies and corresponding checklists are measured and recorded by reference to MSCI, Bloomberg and company sourced data. Companies deemed not to meet the Investment Manager's minimum standards will not be held by the Fund.

Environmental Policy

The Investment Manager assesses the environmental exposure of investments and potential investments held by the Fund against environmental criteria including:

- climate change;
- greenhouse gas emissions;
- resource depletion;
- waste;
- and pollution.

The environmental management culture, supply chain management, extent to which a company's products/services are a positive influence on the environment, quality of a company's environmental reporting, targets and national or global certification are also considered by the Investment Manager when conducting its ESG analysis.

Social Policy

The Investment Manager assesses investments and potential investments held by the Fund against social factors including working conditions, health and safety, employee relations and diversity.

Corporate Governance Policy

The Investment Manager assesses investments and potential investments held by the Fund against governance factors including:

- remuneration of the board;
- board diversity and structure;

- anti-bribery;
- and corruption.

The Investment Manager ensures that the investee companies held by the Fund do no significant harm to any of the environmental or social characteristics promoted by the Fund.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics of the Fund.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The Investment Manager uses the following indicators to measure the environmental or social characteristics promoted by the Fund:

- vi. Carbon intensity of the Fund (Scope 1 + 2) both absolute and relative to its Benchmark;
- vii. Percentage of investee companies which have credible Net Zero Carbon strategies;
- viii. Percentage of women on boards of investee companies;
- ix. Percentage of independent directors on boards of investee companies;
- x. Percentage of companies which have an anti-bribery policy.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

N/A

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

N/A

- ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

N/A

- ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

N/A

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes, _____

No

The Investment Manager reports on all 14 mandatory Principal Adverse Impacts (“PAIs”) at a Fund level. The consolidated data for the Fund is provided by Impact Cubed, a specialist provider of ESG and impact analytics.

As part of its investment process (both pre-investment and on an ongoing basis), the Investment Manager considers 10 of the 14 PAIs:

- Scope 1 GHG emissions;
- Scope 2 GHG emissions;
- Scope 3 GHG emissions;
- Total GHG emissions;
- Carbon footprint;
- GHG intensity of investee companies;
- Share of investments in companies active in the fossil fuel sector;
- Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average;
- Average ratio of female to male board members in investee companies, expressed as a percentage of all board members;
- Share of investments in investee companies involved in the manufacture or selling of controversial weapons.

The information on principal adverse impacts is available in the Annual Report of the Company (which includes the Fund).

The Investment Manager meets with the companies in which it invests on a regular basis. A decision to actively engage typically arises from any of the following:

- the company fares badly (relative to its sector or other companies in the Fund) on any of the 10 PAIs considered by the Fund;
- the Investment Manager’s proprietary ESG Checklist has flagged a weakness at the company;
- the Investment Manager’s proprietary ESG Checklist has a score of 5 or below;
- the Investment Manager disagrees with one or several resolutions proposed at the company’s forthcoming General Meeting;
- a sustainability-related controversy has emerged on the company.

All cases of engagement initiated by the Investment Manager are reviewed and monitored by the Investment Manager’s internal Sustainability Committee. The Sustainability Committee considers the rationale, progress and outcome of every engagement case. In the event that the outcome of

an engagement is deemed to fall short of the Investment Manager's expectations, or the company does not respond to requests to engage, the Sustainability Committee will recommend to the Investment Committee that the holding be sold.



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What investment strategy does this financial product follow?

The Fund is actively managed and invests primarily in SmallCap and MidCap companies quoted in the United Kingdom offering an attractive dividend yield or the potential for dividend growth. Up to 20% of net assets may be invested in companies quoted in the European Union, Iceland, Norway and Switzerland. No unquoted investments are permitted.

Investment decisions are made in line with the Investment Manager's overall approach to sustainability which seeks to manage Sustainability Risks but also promote environmental and social characteristics through the application of ethical exclusions, quantitative and qualitative assessments and engagement with the Fund's investee companies.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

At least 90% (by Net Assets) of the investee companies held by the Fund will need to meet the requirements set out in the Investment Manager's proprietary ESG Checklist (the "Checklist") on an ongoing basis. Specifically, these companies must score at least 4 out of 10 on the Checklist.

This score is derived by aggregating the scores (all out of 10) obtained across the three sections of the Checklist below:

- an Environmental section (30% weighting);
- a Social section (30% weighting);
- a Corporate Governance section (40% weighting).

The Environmental section of the Checklist covers the following areas:

- Carbon Intensity Scope 1;
- Carbon Intensity Scope 2;
- Carbon Intensity Scope 3;
- Carbon Intensity Scope 1 + 2 + 3;
- Water Intensity;
- Waste Intensity;
- Low Carbon Transition Management Score;
- Low Carbon Transition Score; and
- Any additional areas that may concern the Investment Manager (e.g. climate change targets, supply chain etc...).

The Social section of the Checklist covers the following areas:

- Employee Turnover;
- Gender diversity in the workforce;
- Gender diversity in management;
- Gender Pay Gap;
- Human Rights Policy;
- Anti Bribery Policy;
- Equal Opportunity Policy;

- Tax Gap; and
- Any additional areas that may concern the Investment Manager (e.g. labour practices, health & safety, quality of reporting...).

The Corporate Governance section of the Checklist covers the following areas:

- Remuneration of the Executive;
- Capital allocation record;
- Board independence;
- ESG culture of the Board;
- Board diversity; and
- Any additional areas that may concern the Investment Manager.

For companies which score between 4 and 5 on the Checklist, the Investment Manager will engage with the investee company.

In addition, the Fund may not invest in companies with more than 10% revenue exposure to the manufacturing or supply of weapons, tobacco, gambling, pornography, alcohol or any other areas deemed not to meet the Investment Manager's ethical standards.

Additionally, all companies in which the Fund invests in are subject to the Revenue Exclusions as described above.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

After the application of the Investment Manager's ESG assessments and scoring, at least 20% of the original universe of potential investments will be removed.

- ***What is the policy to assess good governance practices of the investee companies?***

The Investment Manager's Corporate Governance Policy (the "Policy") follows the principles of the UK Corporate Governance Code.

The Policy considers the following areas: Remuneration; Capital Allocation Record; Board Independence; Board Diversity; and Voting. For every issuer, these areas are assessed by the Investment Manager both pre-investment and on an ongoing basis.

The Investment Manager votes on behalf of the Fund at every Annual General Meeting of its investee companies (unless this is not possible).

As responsible shareholders, the Investment Manager believes that it is also a duty to engage with investee companies. In the Investment Manager's experience, active engagement can help to foster positive long-term change in the way businesses are run and a greater understanding of a business.

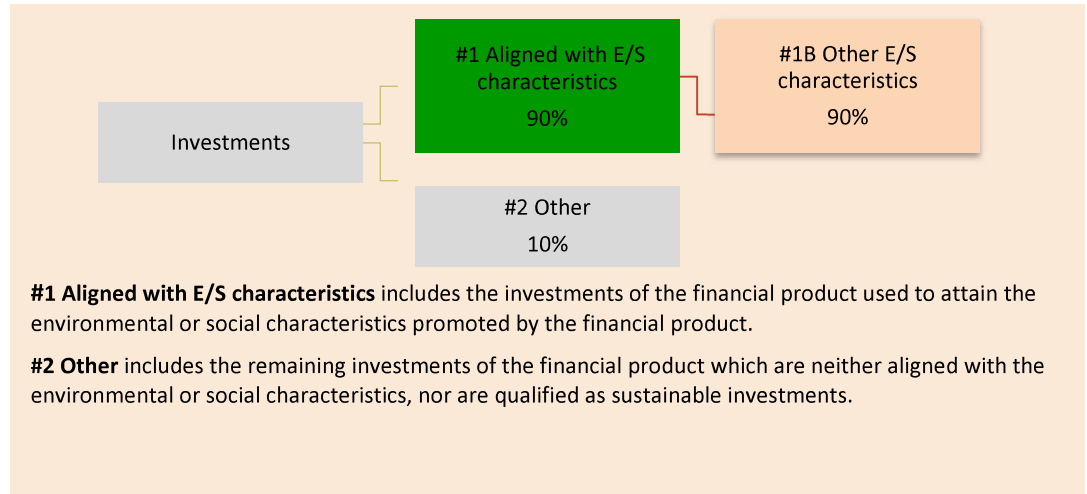
Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

At least 90% (by Net Assets) of investments are aligned with the environmental and social characteristics defined by the Investment Manager and promoted by the Fund.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

● ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

The Fund does not invest in derivatives or make use of derivatives for hedging purposes.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



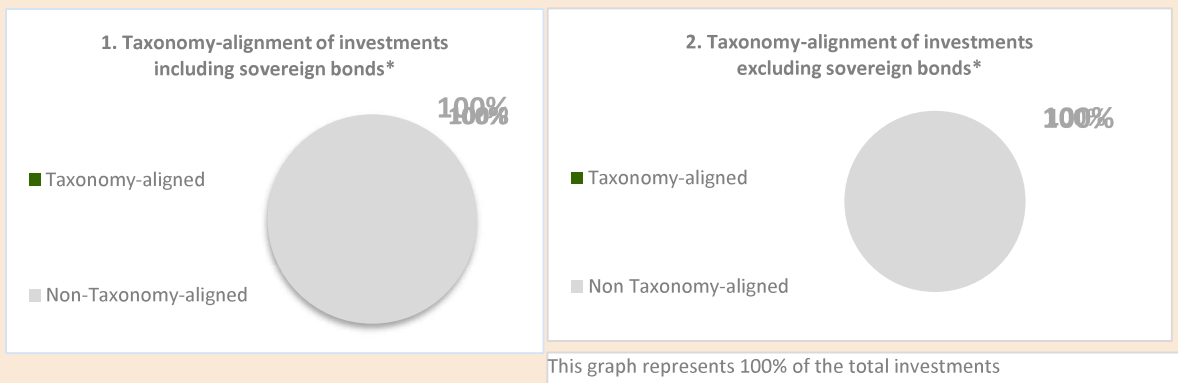
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund does not intend to commit to a minimum share of sustainable investments with an environmental objective that are aligned with the EU Taxonomy.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy²?**

- Yes:
- In fossil gas In nuclear energy
- No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

² Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

- ***What is the minimum share of investments in transitional and enabling activities?***

N/A



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

N/A



What is the minimum share of socially sustainable investments?

N/A



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

At least 90% (by Net Assets) of investments are aligned with the environmental and social characteristics defined by the Investment Manager and promoted by the Fund. All remaining investments made by the Fund in accordance with its investment policy, as well as any cash balances, are included under ‘#2 Other’.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No. The Fund’s only benchmark is the IA UK All Companies Sector, which is used for performance comparison purposes only.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

N/A

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

N/A

- ***How does the designated index differ from a relevant broad market index?***

N/A

- ***Where can the methodology used for the calculation of the designated index be found?***

N/A



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://montanaro.co.uk/fund/montanaro-uk-income-fund/>