

MONTANARO




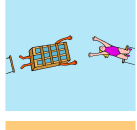
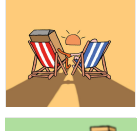

ASSET MANAGEMENT

Project: Net Zero Report 2025

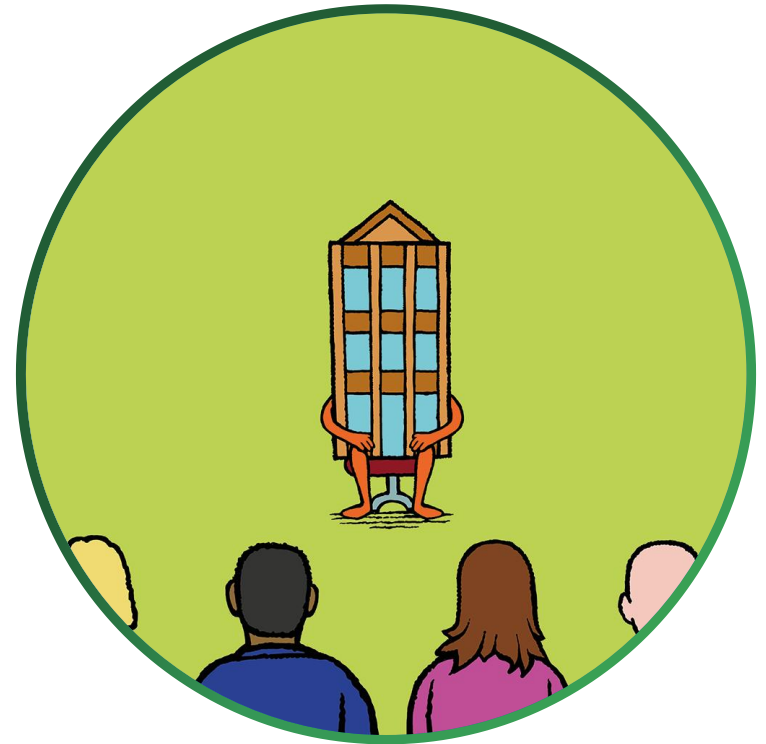


A summary of our progress and case studies from the past year

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Introduction



Executive introduction

The climate science evidence from 2025 highlights the ongoing scale of the challenge that investors and companies are responding to globally. Copernicus climate monitoring shows that 2025 was the third warmest year on record, with the average temperature from 2023 to 2025 exceeding 1.5 °C above the pre-industrial baseline for the first time in the instrumental record. Land temperatures ranked among the highest observed and both polar regions recorded exceptionally high annual averages, reinforcing the material exposure of economies and assets to climate risk.

Alongside these physical climate trends, momentum in corporate climate action remains evident. According to the latest Science Based Targets initiative (SBTi) Trend Tracker, nearly 11,000 companies worldwide have either set science-based targets (SBTs) or committed to do so (as of June 2025). Within this broader total, the number of

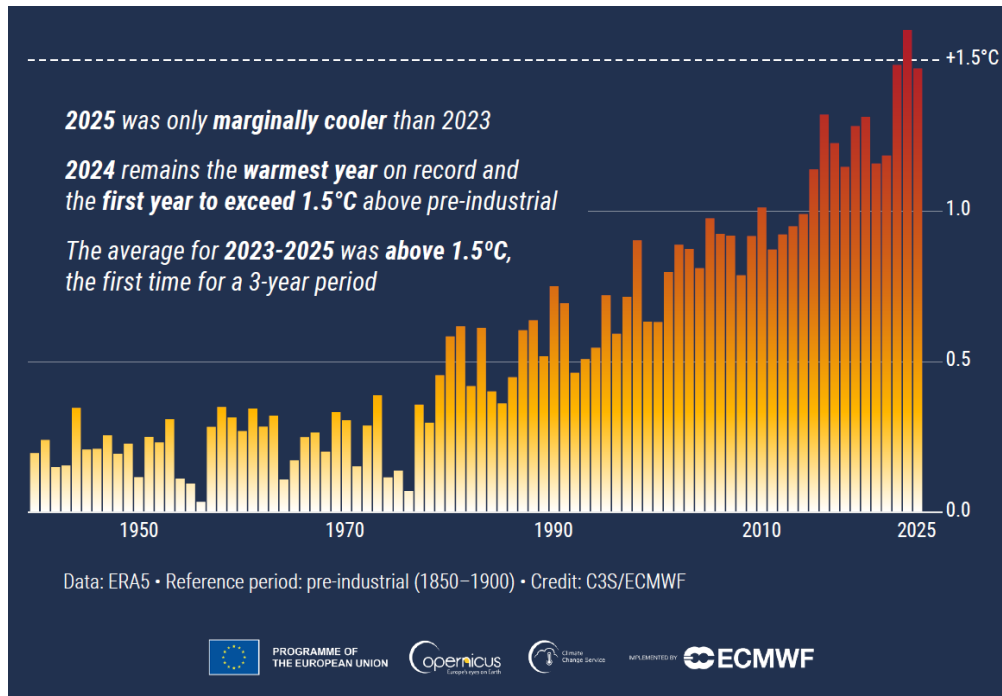
companies with both validated near-term and Net Zero targets more than tripled relative to 18 months earlier, with Europe and Northern America still leading in total numbers.

These external signals affirm the ongoing relevance of Montanaro's climate framework and the targets we have established for financed emissions. Our approach integrates financed emissions pathways and SBTi alignment tracking with active company engagement to support credible transition planning. This annual update outlines progress over 2025 in emissions performance, disclosure across our portfolios and priorities for the year ahead.

Ed Heaven
Head of Sustainable Investments
January 2026



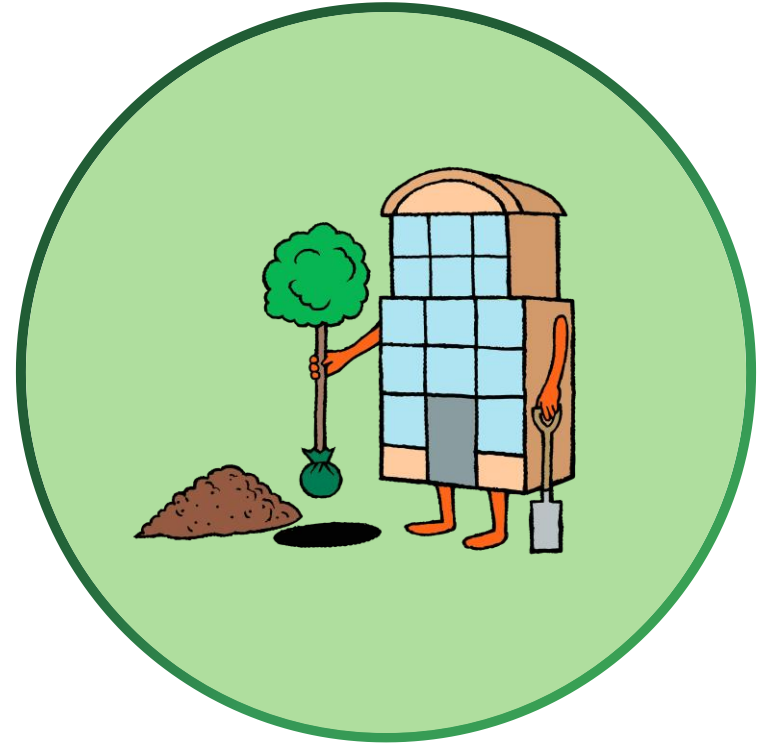
Global annual surface air temperature increase*



- 2025 was only 0.01°C cooler than the warmest year on record (2023).
- The past 11 years have been the 11 warmest on record.
- Global temperatures from the past three years averaged more than 1.5°C above the pre-industrial level.
- Air temperature over total global land areas was the second warmest, whilst the Antarctic saw its warmest annual temperature on record.

*Global annual surface air temperature increase above pre-industrial level since 1940. Reference period: pre-industrial (1850–1900)
Source: [Copernicus](#), C3S/ECMWF

Progress



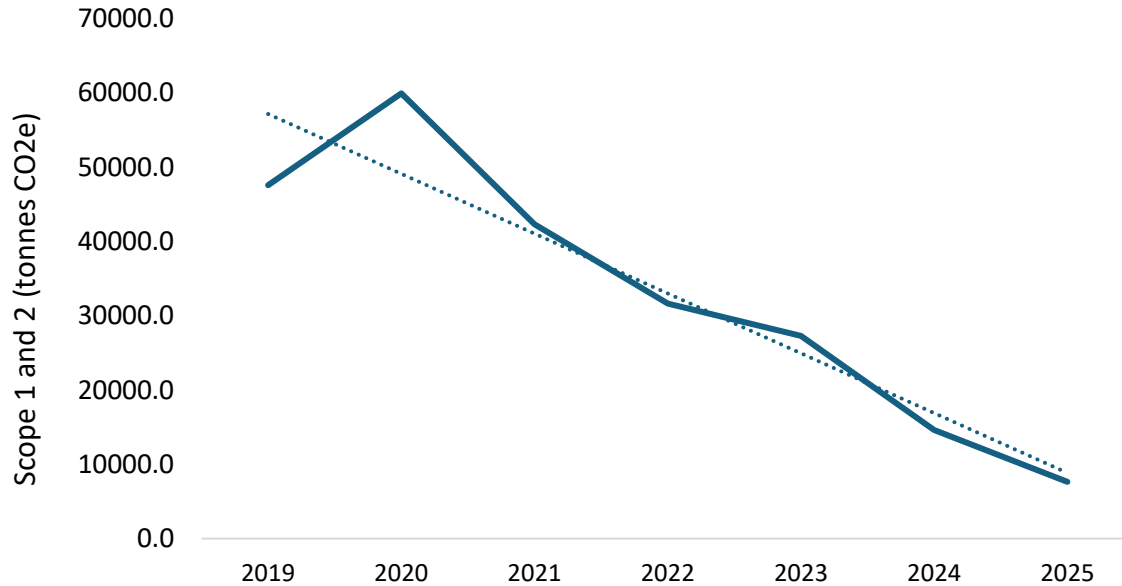
Our approach

Montanaro Asset Management (MAM) has set ambitious targets to reduce financed emissions as part of its Net Zero commitment. By 2030, 50% of designated Assets Under Management (AUM) are expected to have implemented SBTs backed by the SBTi, with full coverage across all AUM by 2040. **These targets are key steps towards MAM's ultimate goal of achieving Net Zero financed emissions by 2050.** To support this transition, MAM has also set interim targets, including an annual 7% reduction in portfolio emissions, in line with the PAII Net Zero Investment Framework and the IPCC's 1.5°C scenario.

Significant progress has already been made, with a growing proportion of portfolio companies setting and committing to science-based decarbonisation pathways. Since 2019, absolute Scope 1 and 2 financed emissions have decreased from 47,583 tCO₂e to 7,642 tCO₂e in 2025, representing a reduction of 87%. At the same time, the proportion of in scope AUM covered by SBTi commitments or approved targets has risen from just 3.4% in 2019 to 43.4% in 2025. This progress is ahead of MAM's interim targets, demonstrating the action being taken by our companies alongside our engagement efforts. MAM remains committed to accelerating this progress, ensuring portfolio alignment with global climate goals and supporting the transition to a low-carbon economy.

Strong progress on decarbonisation

Total financed carbon emissions for all in scope portfolios



Year	Financed Scope 1 & 2 Emissions (Tonnes CO ₂ e)	SBTi alignment (% in Scope AUM)
2019	47583.5	3.4%
2020	59937.7	7.7%
2021	42312.9	25.8%
2022	31652.9	41.2%
2023	27300.0	45.7%
2024	14610.9	41.2%
2025	7641.7	43.4%

Sources: Internal, MSCI.

Attribution

We calculate the attribution of changes in financed emissions between 2021 and 2025 using a constant portfolio universe, thereby excluding the effects of product launches and closures.

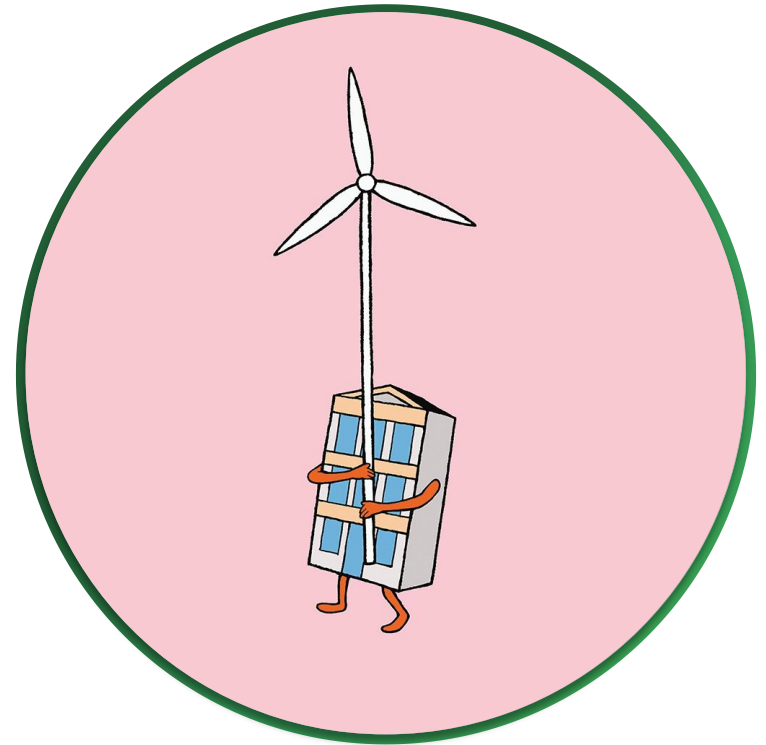
Over this period, financed Scope 1 and 2 emissions across the portfolios decreased by 82%. Attribution analysis shows that this was driven primarily by changes in portfolio composition, reflecting active portfolio construction and stock selection aligned with our decarbonisation objectives, alongside a contribution from declining emissions at investee companies.

<i>Company effect (A)</i>	<i>-13.4%</i>
<i>Allocation effect (B)</i>	<i>-68.9%</i>
<i>Total effect (A+B)</i>	<i>-82.3%</i>

The Company Effect, accounting for a 13% reduction, reflects emissions reductions achieved by companies that remained in the portfolios throughout the period. This indicates that, even if portfolio composition had remained unchanged, financed emissions would still have declined due to company-level actions such as improved energy efficiency, increased use of renewable energy and the implementation of decarbonisation strategies.

The remaining 70% reduction reflects the impact of portfolio evolution, including changes in portfolio construction, portfolio scale and improvements in data coverage over the period. This captures the effect of investment decisions and portfolio dynamics alongside methodological improvements, and, together with the Company Effect, explains the total 82% decline in financed emissions between 2021 and 2025.

Portfolio emissions



The Better World Strategy

The Dublin domiciled Better World Fund (BWF) has continued to reduce financed emissions, with Scope 1 and 2 emissions falling from 8,813 tCO₂e in 2019 to 529 tCO₂e in 2025, a 94% reduction overall and a further 50% year on year decline versus 2024. At the same time, portfolio alignment with SBTs strengthened materially, with AUM covered by SBTi commitments rising from 27% to 41% in 2025, reflecting a broader share of holdings now operating under credible decarbonisation pathways.

The UK domiciled WS-BWF, launched in 2020, has also delivered a continued decline in financed emissions, down from a 2023 peak of 626 tCO₂e to 352 tCO₂e in 2025. SBTi alignment increased in parallel, indicating a step change in target backed climate alignment across holdings.

Year	BWF		WS-BWF	
	Financed Carbon Emissions (Scope 1 & 2) – Tonnes CO ₂ e	SBTi alignment	Financed Carbon Emissions (Scope 1 & 2) – Tonnes CO ₂ e	SBTi alignment
2019	8813	0.0%		
2020	3642	7.2%	315	7.0%
2021	2623	10.8%	355	11.0%
2022	5850	19.5%	541	19.6%
2023	2632	32.9%	626	32.6%
2024	1061	26.8%	591	26.9%
2025	529	40.5%	352	40.5%

The Global Select Strategy

The Global Select Fund (GSF) reports financed emissions data from 2024 onward. Scope 1 and 2 financed emissions were 150 tCO₂e in 2024 and increased to 283 tCO₂e in 2025. Over the same period, alignment with SBTs strengthened, with the proportion of AUM covered by SBTi commitments rising from 18% to 26%, indicating a meaningful increase in target backed climate alignment across holdings.

The WS-GSF shows a longer data series and a gradual rise in financed emissions as the portfolio has evolved, from 21 tCO₂e in 2020 to 523 tCO₂e in 2025. SBTi coverage has increased steadily alongside this, rising from 6% at launch to 26% in 2025. This reflects a growing share of portfolio companies operating with appropriate decarbonisation targets, despite higher absolute financed emissions.

Year	GSF		WS-GSF	
	Financed Carbon Emissions (Scope 1 & 2) – Tonnes CO ₂ e	SBTi alignment	Financed Carbon Emissions (Scope 1 & 2) – Tonnes CO ₂ e	SBTi alignment
2019				
2020			21	5.6%
2021			68	7.1%
2022			163	9.6%
2023			398	15.0%
2024	150	18.2%	329	18.2%
2025	283	25.8%	523	25.7%

The Montanaro European Smaller Companies Fund

The Montanaro European Smaller Companies Fund (MESCF)

has delivered a sustained reduction in financed emissions over the period, with Scope 1 and 2 financed emissions falling from 13,240 tCO₂e in 2019 to 2,963 tCO₂e in 2025, a reduction of around 78%. The decline resumed in 2025 after a period of relative stability, with emissions decreasing from 4,358 tCO₂e in 2024 to 2,963 tCO₂e in 2025. In parallel, portfolio alignment with SBTs has strengthened consistently, with the proportion of AUM covered by SBTi commitments rising from 0% in 2019 to 40% in 2025, demonstrating a continued increase in target backed climate alignment across holdings.

MESCF		
Year	Financed Carbon Emissions (Scope 1 & 2) – Tonnes CO ₂ e	SBTi alignment
2019	13240	0.0%
2020	9193	4.7%
2021	6902	25.6%
2022	4462	34.1%
2023	4562	36.3%
2024	4358	38.2%
2025	2963	39.8%

The Montanaro European Income Fund

The Montanaro European Income Fund (MEIF) has delivered a substantial reduction in financed emissions over the period, with Scope 1 and 2 financed emissions falling from 8,338 tCO₂e in 2019 to 1,005 tCO₂e in 2025, an overall reduction of around 88%. The decline accelerated in the most recent year, with emissions decreasing from 2,445 tCO₂e in 2024 to 1,005 tCO₂e in 2025. In parallel, portfolio alignment with SBTs has strengthened steadily, with the proportion of AUM covered by SBTi commitments increasing from 7% in 2019 to 41% in 2025, marking a clear improvement in target backed climate alignment across holdings.

MEIF		
Year	Financed Carbon Emissions (Scope 1 & 2) – Tonnes CO ₂ e	SBTi alignment
2019	8338	7.1%
2020	16338	7.8%
2021	18753	16.9%
2022	7808	29.1%
2023	7723	36.4%
2024	2445	33.2%
2025	1005	41.1%

WS Montanaro Europe (ex-UK) Small and Mid-Cap Fund

The WS Montanaro Europe (ex-UK) Small and Mid-Cap Fund reports financed emissions data from 2020 onward. Scope 1 and 2 financed emissions have declined overall from 815 tCO₂e at launch to 615 tCO₂e in 2025, with a further reduction from 1,004 tCO₂e in 2024 over the most recent year. Over the same period, portfolio alignment with SBTs has strengthened markedly, with the proportion of AUM covered by SBTi commitments rising from 8% in 2020 to 36% in 2025, indicating broader adoption of credible decarbonisation targets across holdings.

WS-MEMCF		
Year	Financed Carbon Emissions (Scope 1 & 2) – Tonnes CO ₂ e	SBTi alignment
2019		
2020	815	7.9%
2021	2441	16.7%
2022	1231	29.0%
2023	1601	37.6%
2024	1004	30.0%
2025	615	36.0%

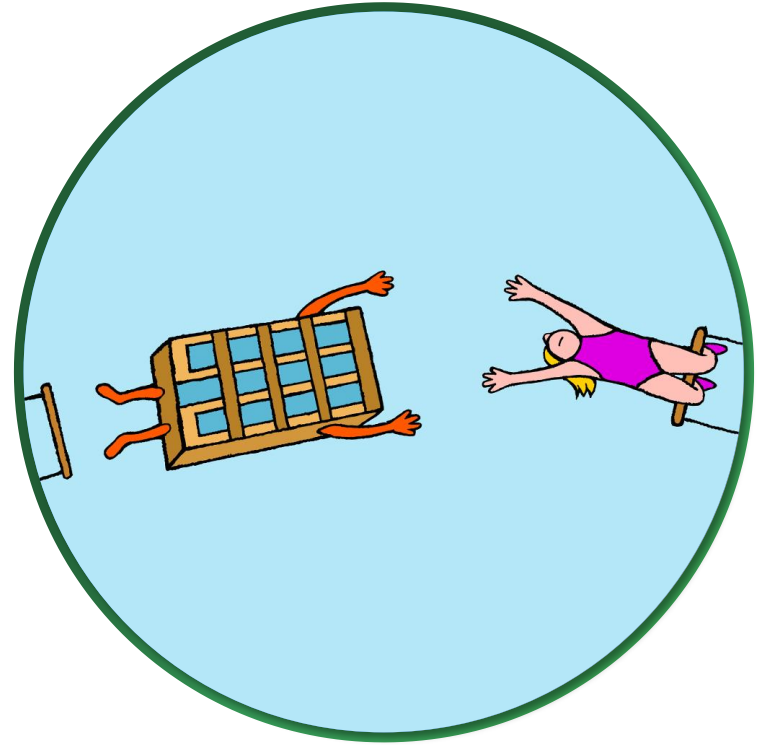
The Montanaro UK Income Strategy

The Montanaro UK Income Fund (UKIF) has reduced financed emissions materially over the period, with Scope 1 and 2 financed emissions falling from 14,978 tCO₂e in 2019 to 1,262 tCO₂e in 2025, a reduction of around 92%. Emissions declined further over the most recent year, from 3,803 tCO₂e in 2024 to 1,262 tCO₂e in 2025. Portfolio alignment with SBTi has increased from 4% in 2019 to 64% in 2025, despite some year-to-year variation, indicating sustained progress in target backed climate alignment across holdings.

The WS-UKIF vehicle shows a similar pattern since launch, with financed emissions decreasing from a peak of 1,069 tCO₂e in 2023 to 109 tCO₂e in 2025. Over the same period, SBTi alignment has risen from 9% in 2020 to 64% in 2025.

Year	UKIF		WS-UKIF	
	Financed Carbon Emissions (Scope 1 & 2) – Tonnes CO ₂ e	SBTi alignment	Financed Carbon Emissions (Scope 1 & 2) – Tonnes CO ₂ e	SBTi alignment
2019	14978	4.4%		
2020	28211	9.4%	423	9.0%
2021	9804	44.6%	740	44.4%
2022	9880	57.0%	892	57.0%
2023	8342	64.7%	1069	64.7%
2024	3803	55.6%	688	56.2%
2025	1262	63.5%	109	63.6%

Engagement



Brembo

Company: Brembo makes braking systems and components for cars, motorcycles, commercial vehicles and racing vehicles. It produces items such as brake discs, pads and calipers, and operates globally with integrated manufacturing and a focus on resource efficiency.

Discussion: We engaged with Brembo on its Net Zero strategy and emissions trajectory. The company confirmed it has defined a Net Zero target aligned with SBTi principles and is awaiting updated SBTi guidance before formal submission. Scope 1 and 2 reductions are on track, while Scope 3 remains the main challenge due to supply chain and product use emissions. Supplier engagement and recycled material use are being expanded.

Outcome: Brembo is progressing towards formal SBTi validation and strengthening supply chain decarbonisation measures. Engagement remains ongoing focused on Scope 3 and target submission.

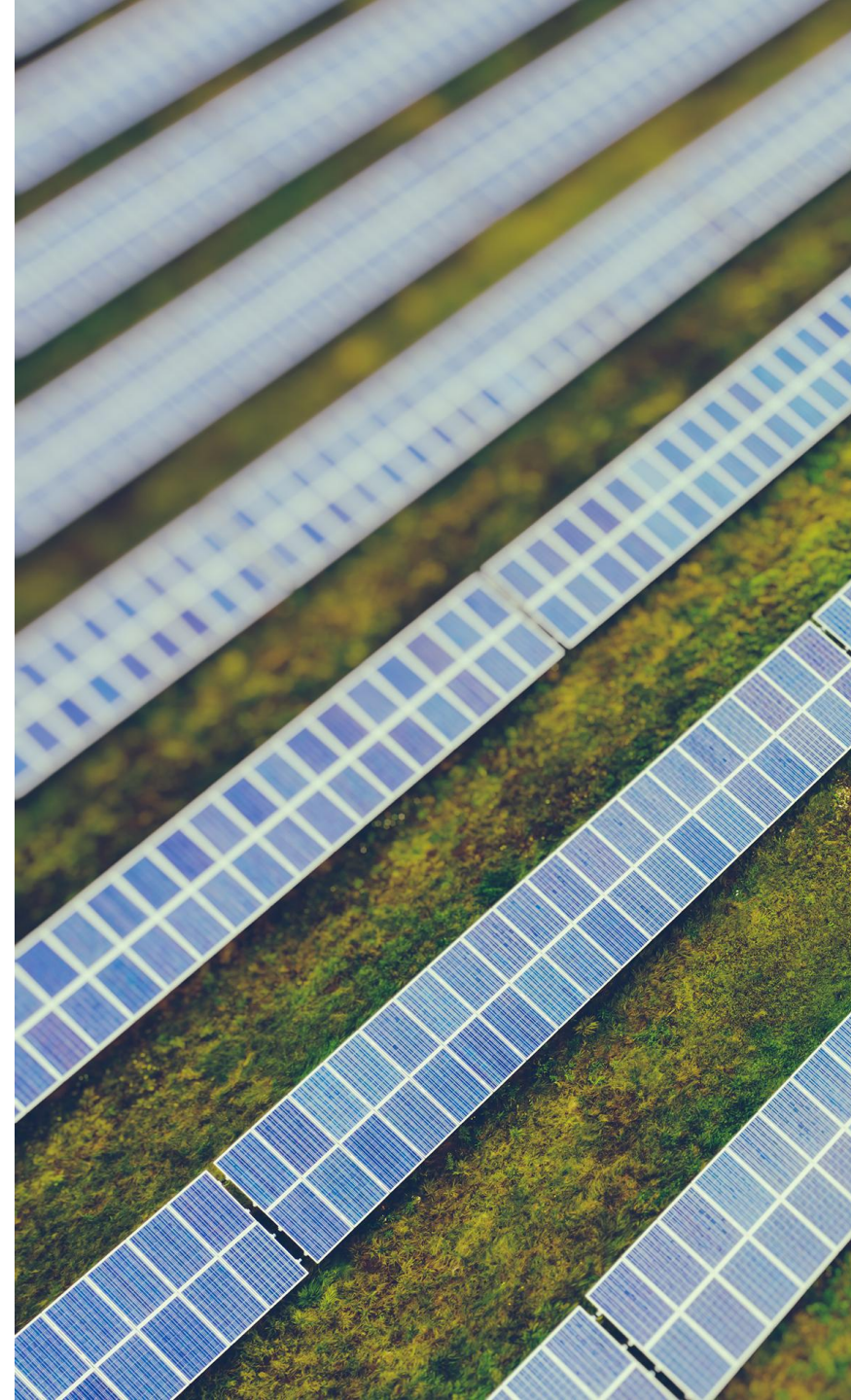


Sartorius Stedim Biotech

Company: Sartorius Stedim is a life science supplier providing equipment and services to the biopharmaceutical sector.

Discussion: We engaged with Sartorius on worsening Scope 1 and 2 carbon intensity trends and climate target development. The company clarified that absolute emissions have declined slightly since 2022, with intensity increases mainly driven by lower revenues and broader emissions boundary coverage. Management is refining climate targets for SBTi validation, developing transition plans, and increasing supplier engagement to tackle Scope 3, which represents over 90% of emissions. A net zero 2045 ambition has been set.

Outcome: SBTi alignment work is underway and Scope 3 is a clear focus. We will monitor progress on target validation and supplier engagement and await a public SBTi commitment.



SOL

Company: SOL is a healthcare and industrial gases group that produces and distributes technical and medicinal gases such as oxygen, nitrogen and hydrogen, and provides related services. It also operates a home healthcare division delivering services including oxygen therapy, respiratory care, telemedicine and the supply of medical devices for patients in the home.

Discussion: Focused on carbon strategy, ESG ratings and sustainability management. SOL discussed challenges setting targets due to Scope 3 data gaps and progress on renewable electricity.

Outcome: SOL confirmed continued progress on target setting and disclosure improvements. We will continue engagement on SBTi alignment, Scope 3 measurement and climate data transparency. They confirmed that they are working towards a 100% renewable electricity goal by 2035.

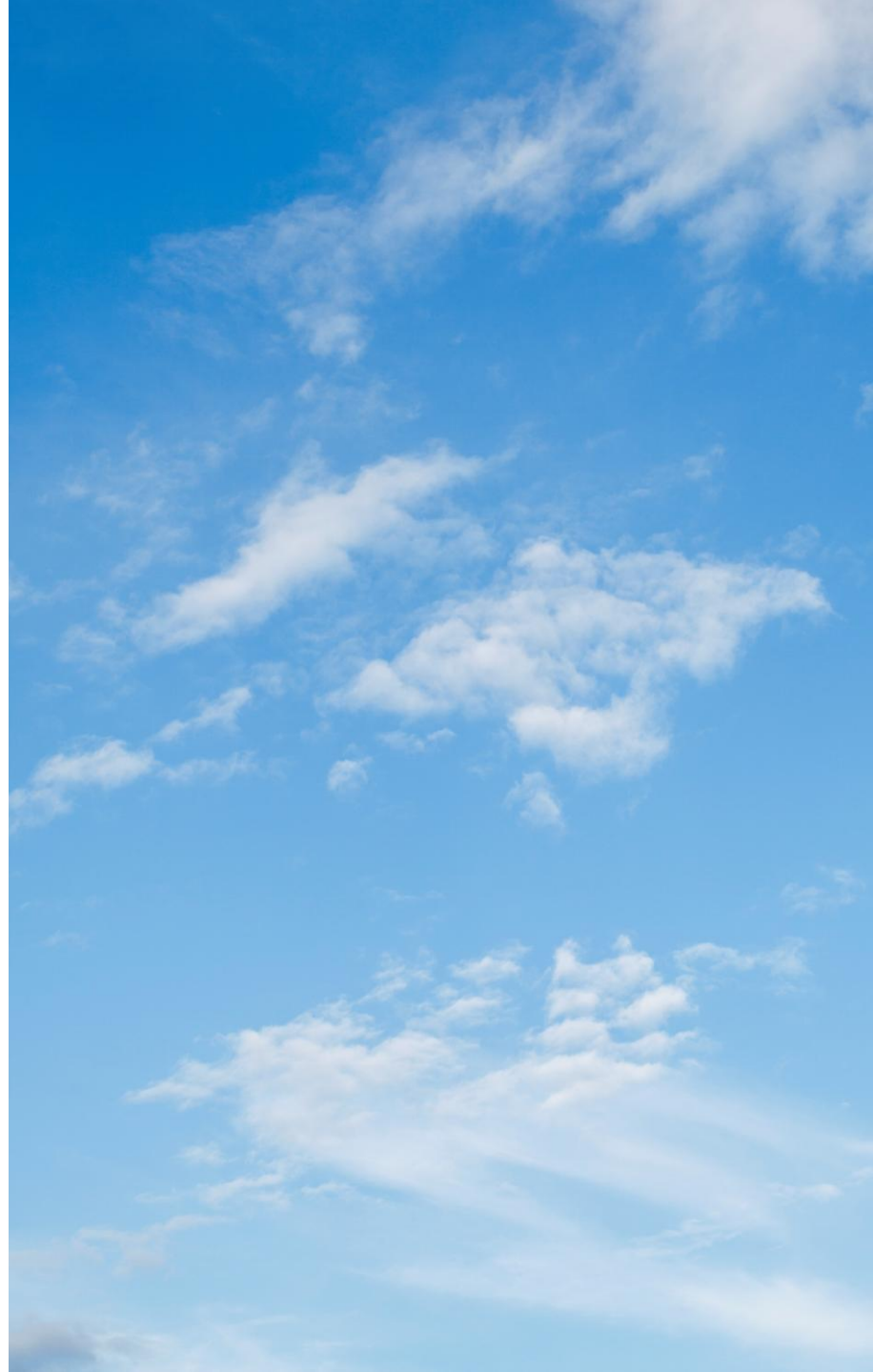


Volution

Company: Volution designs and manufactures indoor air quality and ventilation systems.

Discussion: We engaged with Volution Group on the environmental performance of their products. Management confirmed that the large majority of revenues come from ventilation and air quality solutions associated with improved building energy performance. Discussion focused on product carbon savings methodologies, lifecycle assessments and the ongoing expansion of Environmental Product Declarations, as well as progress in using recycled materials.

Outcome: Environmental and lifecycle data coverage is increasing, strengthening the evidence base for product carbon efficiency. The company has SBTs covering Scope 1, 2 and 3 emissions, providing a clearer framework to track decarbonisation progress.



Policy Engagement: UK Climate Transition Plan Consultation

We participated in the UK government's consultation on transition plan requirements through the PRI collaboration platform. In our submission, we welcomed the commitment to mandate credible transition plans aligned with the 1.5°C goal of the Paris Agreement. We underlined that transition plans provide investors with useful information, helping to assess the credibility of corporate net-zero targets, identify risks where companies lack credible pathways and engage with those that need to strengthen delivery.

Our response recommended that requirements should be proportionate and phased in to reflect company size and capacity, with larger listed firms leading and smaller companies given longer lead times and clearer guidance.

The consultation has now closed, and final policy design is pending. The outcome is expected to shape future UK climate disclosure and transition planning expectations for both companies and investors.

Net Zero Asset Managers

MAM is a signatory to the Net Zero Asset Managers (NZAM) initiative and treats climate risk and transition alignment as a core investment responsibility. Climate considerations are embedded across portfolio construction, stewardship and engagement, supported by public targets, transparent reporting and regular monitoring. We focus on measurable outcomes and accountability, using financed emissions pathways, SBTi tracking and targeted engagement on credible transition plans, with annual progress reporting.

We have reaffirmed our Net Zero commitment following the NZAM hiatus to avoid ambiguity around our climate strategy or ambition. Our approach to climate risk, portfolio decarbonisation and stewardship is embedded in our investment process and client commitments and does not depend on any single external alliance.

Our financed emissions pathway, SBTi coverage targets and engagement programme remain unchanged.

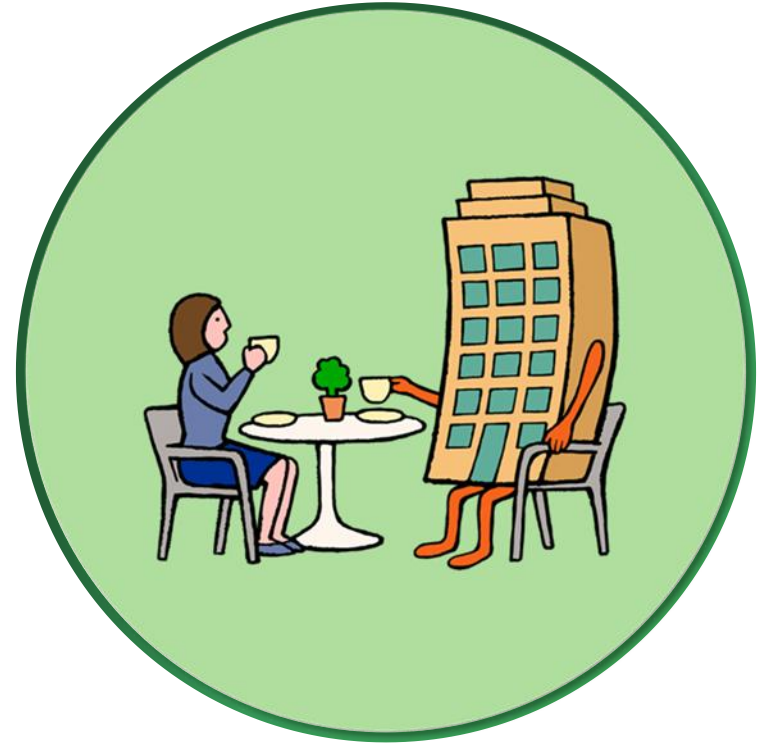
Disclosures



ISSB Climate Disclosure Alignment

ISSB Pillar	Disclosure Focus	Montanaro Approach
Governance	Oversight of climate risks and opportunities	Climate strategy overseen by Net Zero Steering Group reporting to Sustainability and Executive Committees. Head of Sustainable Investments leads ESG integration. Board duties under B Corp governance framework require consideration of stakeholder and climate impacts.
Strategy	Climate risks & opportunities	Transition and physical risks assessed across portfolios. Opportunities prioritised in climate solution providers and sustainability leaders. Investment approach aligned with a 1.5°C pathway and Net Zero objective.
	Impact on strategy & planning	Climate factors embedded in portfolio construction and engagement. Target of ≥7% annual financed emissions reduction. Operational footprint measured annually and balanced through verified carbon removal projects.
	Strategy resilience	Portfolio aligned to Paris-aligned pathway. Financed emissions reductions since 2019 remain ahead of required trajectory. Transition plan and target credibility assessed through company engagement.
Risk Management	Climate risk identification & assessment	Proprietary ESG Checklist incorporates carbon intensity, transition exposure and net zero readiness. Uses MSCI data and company disclosures.
	Integration into risk framework	Climate risk integrated into investment decisions, stewardship and engagement. Priority engagement theme is SBTi target adoption and transition planning.
Metrics & Targets	Climate metrics used	Core metrics tracked: financed emissions (Scope 1 & 2), % AUM with SBTi targets, portfolio decarbonisation trend. Portfolio emissions continued to fall in 2025 across major funds.
	Emissions coverage	Financed Scope 1 & 2 emissions have declined materially since 2019 across portfolios. Scope 3 coverage expanding as data quality improves.
	Targets & progress	Net zero financed emissions target by 2050. Interim targets: 50% AUM with SBTi targets by 2030 and 100% by 2040. 2025 SBTi coverage across key funds now 43.4% of in-scope AUM, ahead of interim trajectory.

Conclusion



From a climate perspective, the past year has been challenging, with continued global warming trends and, in some markets, a perceived cooling of policy and corporate momentum around sustainability. Despite this backdrop, our approach and objectives have remained unchanged. We continue to pursue our Net Zero commitments in line with our NZAM pledge, embedding climate considerations in investment decisions, stewardship and engagement activity.

Portfolio financed emissions have continued to fall and SBTi coverage across our funds has increased, reflecting both portfolio positioning and sustained company engagement. Encouragingly, a growing number of companies continue to seek independent validation of their targets through SBTi, which remains an important gold standard for credible climate action. We remain committed to maintaining discipline, transparency and long-term focus in delivering our Net Zero strategy.

Resources

- [Sustainability Library](#)
- [Biodiversity Policy](#)
- [ESG Handbook](#)
- [Impact Report](#)
- [Project Net Zero 2024](#)
- [Stewardship Report](#)



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