

## SIXTH SUPPLEMENT

### Dated 18 December 2023 to the Prospectus for Montanaro Smaller Companies plc

This Supplement contains information relating specifically to the **Montanaro Better World Fund** (the "Fund"), a Fund of Montanaro Smaller Companies plc ("Company"), an open-ended umbrella type investment company, with variable capital and segregated liability between sub-funds, authorised as a UCITS pursuant to the Regulations by the Central Bank.

**This Supplement forms part of and should be read in the context of and in conjunction with the Prospectus for the Company dated 1 January 2022 (the "Prospectus") which immediately precedes this Supplement and is incorporated herein.**

The Directors of the Company whose names appear under the heading "Management and Administration" in the Prospectus accept responsibility for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Supplement and in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Fund was authorised by the Central Bank on 21 March 2018.

Investors should read and consider the section entitled "Risk Factors" before investing in the Fund.

#### 1. Interpretation

In this Supplement, the following words and phrases have the meanings set forth below, except where the context otherwise requires:

"Accumulation Class Shares"	means the Swedish Krona Institutional Accumulation Class Shares and Euro Accumulation Class Shares;
"Benchmark"	means the MSCI World SMID Cap Index (Total Return) which is calculated daily by Morgan Stanley Capital International. The index represents the small and midcap segments in 23 developed countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States of America. The index rebalances semi-annually. Further information in relation to the index is available at <a href="http://www.msci.com">www.msci.com</a> ;
"Business Day"	means any day (except Saturday or Sunday) on which banks in Dublin and London are open for business or such other day or days as may be determined by the Directors and notified to Shareholders in advance through an announcement to Euronext Dublin;
"Dealing Day"	means each Business Day or such other day or days as may be determined by the Directors in consultation with the Manager and notified to Shareholders in advance provided that there shall be at least one Dealing Day every two weeks;
"Distribution Class Shares"	means Euro Distribution Class Shares and Sterling Distribution Class Shares;
"Minimum Holding"	means the minimum number of Shares required to be held by Shareholders or Shares having such value as may from time to time be specified by the Directors in relation to each Class and set out in this Supplement;
"Minimum Subscription"	means the amount specified in respect of each Class in this Supplement; and

"Valuation Point" means 16.00 (UK time) on the Dealing Day (or such other time as the Directors may determine)

All other defined terms used in this Supplement shall have the same meaning as in the Prospectus.

## **2. Base Currency**

The Base Currency shall be Euro. The Net Asset Value per Distribution Class Shares will be published and settlement and dealing will be effected in Euro, Sterling or Swedish Krona as relevant. The Directors have the discretion to convert the Base Currency whenever they consider it to be in the Shareholders' best interests.

## **3. Investment Objective**

The investment objective of the Fund is to deliver long-term capital growth.

## **4. Sustainability Objective**

The Fund will seek to invest in high quality companies whose products, services or behaviour are deemed to make a positive impact on society and which emphasise sound environmental, social and governance (ESG) practices. Through the Fund's investments, the Investment Manager seeks to improve access to, and quality of, basic life essentials, reduce inequality, and mitigate the effects of climate change.

## **5. Investment Policy**

The Fund shall invest in small and midcap companies primarily quoted in global markets and whose market capitalisation does not exceed that of the largest unadjusted market capitalisation of any of the constituents of Benchmark at the time of initial investment.

The securities in which the Fund invests will be listed or traded on Recognised Markets.

The Fund will seek to invest in high quality companies whose products, services or behaviour are deemed to make a positive impact on society and which emphasise sound ESG practices. In particular, the Investment Manager will seek to identify profitable and well managed businesses operating in markets that offer attractive structural growth opportunities, i.e. through the investment process outlined below the Investment Manager will seek to identify market sectors it expects to grow faster than GDP of the relevant country or region for a prolonged period of time. In order to achieve this, the Investment Manager will rely on a research-intensive investment process designed to evaluate potential investments based on the use of proprietary databases, financial models and direct engagement with companies.

Through their research and direct engagement with companies, the Investment Manager will seek to identify companies with management they consider to be entrepreneurial, competent, honest and trustworthy.

The Fund may not invest in companies with material 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.

As set out in the Prospectus, pending investment of the proceeds of a placing or offer of Shares or where market or other factors so warrant, the Fund may hold cash deposits.

The Fund is actively managed and does not track a benchmark. The Benchmark is used for comparison purposes. Shareholders should be aware that the Fund will not be managed to the Benchmark and may invest in securities not included in the Benchmark. Investment returns may deviate materially from the performance of the Benchmark. The Fund is monitored, but is not constrained, in reference to the Benchmark and accordingly the Benchmark is not relevant for the purposes of the Fund's sustainability objective.

## **6. Sustainability / Compliance with Regulation (EU) 2019/2088**

## *ESG Considerations and Risks*

Article 6 of Regulation (EU) 2019/2088 (the "SFDR") provides that financial market participants such as the Company and the Manager shall include in the Prospectus descriptions of the manner in which Sustainability Risks are integrated into their investment decisions and the results of the assessment of the likely impacts of Sustainability Risks on the returns of the financial products they make available.

The Fund has sustainable investment as a component of its objective and qualifies as a financial product subject to Article 9 of SFDR. Further information in respect of the Fund's sustainable investment objective is set out in the Appendix to this Supplement.

A Sustainability Risk in the context of the Fund is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. The following are environmental, social and governance themes that may be relevant for the Fund. Within these themes, events may happen or conditions may arise that impact the valuation of the Fund:

### *Environmental*

- Climate change and greenhouse gas emissions ("GHG")
- Resource depletion, including water
- Waste and pollution

### *Social*

- Working conditions, including no slavery or child labour
- Health and safety
- Employee relations and diversity

### *Governance*

- Executive pay
- Board diversity and structure (in terms of age, gender, educational and professional background)
- Anti-bribery and corruption

In order to meet the Fund's sustainable investment objective, the Sustainability Risks arising from the themes listed above are fully integrated into the Investment Manager's investment decisions. Investments of the Fund will demonstrate characteristics that align with the Fund's sustainability objective and the Investment Manager believes that investments will not significantly harm the Fund's sustainability investment objective. Where the level of risk is deemed to be unacceptable, the Investment Manager will either not invest or sell the holding. The Investment Manager's Sustainability Committee provides oversight of Sustainability Risks.

These decisions are made in line with the Investment Manager's overall approach to sustainability through the application of ethical exclusions, quantitative and qualitative assessments and engagement with the Fund's investee companies, each as further described in the Appendix to this Supplement.

### *Engagement*

The Investment Manager may seek to manage Sustainability Risks and achieve its sustainability objective through engagement with the management or board, speaking to industry competitors or representatives and liaising with other shareholders.

Where the Investment Manager deems it appropriate in order to manage Sustainability Risks and achieve its sustainability objective, the Fund may withhold support by abstaining or voting against management or may ultimately choose to divest its investment.

Further information on engagement is included in the Appendix to this Supplement.

The Investment Manager has elected to consider at Fund level the principal adverse impacts ("PAIs") of investment decisions on sustainability factors in the manner contemplated by Article 4(1)(a) of the SFDR as further described in the Appendix to this Supplement. Information on PAIs of investment decisions on sustainability factors will be made available in the annual report of the Company and the annual impact report of the Fund. The Manager does not consider PAIs at the entity level as it has a number of delegate investment managers and has determined that the aggregation of its delegated

investment manager PAI reporting (where available) is of no value to its stakeholders due to the vast range of investment strategies and approaches to sustainability risk integration.

#### *Sustainable Investments and the EU Taxonomy Regulation*

Under the EU Taxonomy Regulation, the Fund is required to disclose how and to what extent the investments underlying the Fund are invested in environmentally sustainable economic activities and how those underlying investments contribute to the environmental objectives of climate change mitigation and / or climate change adaptation.

The Manager in conjunction with the Investment Manager consider that the Fund does not presently target investments that contribute to environmentally sustainable economic activities in accordance with the EU Taxonomy Regulation. No minimum share of investments in transitional and enabling activities under the EU Taxonomy Regulation is targeted by the Fund.

The Fund will invest at least 10% of its Net Assets in sustainable investments with an environmental objective in accordance with SFDR.

The Fund will invest at least 10% of its net assets in sustainable investments with a social objective in accordance with SFDR as further described in the Appendix to this Supplement.

Further details about the Investment Manager's ESG policies and ESG approach are available on its website: [www.montanaro.co.uk](http://www.montanaro.co.uk).

#### **5. Efficient Portfolio Management Techniques**

The Fund may employ (subject to the conditions and within the limits laid down by the Central Bank) techniques and instruments relating to transferable securities provided that such techniques and instruments are used for efficient portfolio management purposes and techniques and instruments intended to provide protection against exchange rate risk and equity market risk. Such techniques and instruments are set out in Part I to the Prospectus and include but are not limited to futures, options, forward foreign exchange contracts, interest and exchange rate swap contracts. Where applicable, the entities to which direct and indirect operational costs and/or fees have been paid during the annual period to the relevant accounting year end of the Fund (including whether such entities are related to the Company or Depositary) will be disclosed in the annual report for such period. It is not the current intention of the Investment Manager to employ efficient portfolio management techniques and a risk management process will be submitted to the Central Bank prior to the Fund engaging in such transactions.

#### **6. Share Classes**

Shares will be issued to investors as Shares of a Class in this Fund. The Directors may, with prior notification to and clearance by the Central Bank, create additional Classes of Shares in this Fund. The Directors may in their absolute discretion differentiate between Classes of Shares, without limitation, as to currency denomination of a particular Class, dividend policy, hedging strategies if any applied to the designated currency of a particular Class, fees and expenses and the Minimum Subscription or Minimum Holding applicable.

At the date of this Supplement, four Classes of Shares in the Fund are available for subscription and details of which are set out below:

Class of Share	Minimum Subscription	Minimum Holding
Euro Distribution Class	N/A	N/A
Sterling Distribution Class	N/A	N/A
Euro Accumulation Class	N/A	N/A

Swedish Krona Institutional Accumulation Class	€150,000,000	€150,000,000
--	--------------	--------------

## 7. Application for Shares

Applications for Shares may be made to the Administrator (whose details are set out in the Application Form) and must be received by 12.00 noon (Irish time) on the relevant Dealing Day. Any applications not received by 12.00 noon (Irish time) on a relevant Dealing Day will be processed on the next Dealing Day.

Initial Application Forms shall (save as determined by the Administrator) be irrevocable and may be sent by facsimile at the risk of the applicant. The originals of the Application Forms (and supporting documentation in relation to money laundering prevention checks) should be sent to arrive with the Administrator within 5 Business Days after the prescribed time for receipt of such application. Failure to provide the original Application Form by such time may, at the discretion of the Directors, result in the compulsory redemption of the relevant Shares. However, applicants will be unable to redeem Shares on request until the original Application Forms has been received.

Subsequent applications and dealing may also be made by telephone, by fax, by post or by electronic transmission to the Administrator, but completion of the transactions will require the payment of the subscription amount.

Applications will be effected on the Dealing Day at the purchase price per Share which, after the initial issue thereof, shall be the Net Asset Value per Share Class.

The Net Asset Value per Share shall be calculated as at the relevant Valuation Point based on last traded prices. Provided that the application has been received by the Administrator prior to 12.00 noon (Irish time), the prevailing Net Asset Value per Share of the relevant Share Class applicable on the same day will form the basis for the purchase price. The Company and the Administrator reserve the right to reject an application, for any reason, in whole or in part in which event the application monies or any balance thereof will be returned to the applicant by electronic transfer to the applicant's designated account or by post at the applicant's risk and expense. At the sole discretion of the Investment Manager, Shareholders may subscribe for Shares of the Fund in exchange for an equivalent value of an in specie distribution of eligible investments to the Fund.

### *Fractions*

Where the amount subscribed for Shares is not equivalent to an exact number of Shares, fractions of Shares may be issued to the nearest one thousandth of a Share. The holder of a fraction of a Share may not exercise any voting right in respect of such Share.

### *Method and Timing of Payment*

Payment in respect of subscriptions for all Classes of Shares must be received by the Administrator no later than 3 Business Days after the relevant Dealing Day in respect of which an application has been received in the manner set out in the Application Form of the Fund.

### *Currency of Payment*

Investors may place orders for Shares in Euros, Sterling, Swedish Krona or US Dollars. Other currencies may be accepted with prior agreement from the Administrator. If an application is made in a currency other than the Base Currency of the Fund, a foreign exchange deal will be placed by the Administrator on behalf of the investor to convert such currency to the Base Currency at the then prevailing exchange rate available to the Administrator. The value of the Shares expressed in the relevant Class currency will be subject to exchange rate risk in relation to the Base Currency of the Fund. Only the net proceeds (after deduction of the conversion expenses) will be applied towards payment of the subscription monies. Foreign exchange deals may be aggregated. Settlement must be made in the currency in which the order was placed.

### *Confirmation of Ownership*

Shares will be issued in registered form and a written confirmation as to the entry of the applicant on the register will be sent to Shareholders within 21 Business Days after receipt of payment and all

relevant documentation. Share Certificates will not be issued. Shares shall not be issued unless the original Application Form has been received by the Administrator and settlement has been made within the prescribed time limits.

## **8. Redemption of Shares**

Requests for the redemption of Shares should be made to the Administrator (whose details are set out in the Application Form) on behalf of the Company by 12.00 noon (Irish time) in Dublin on the relevant Dealing Day and should be made in writing (by letter, by facsimile or by electronic transmission) or by telephone. Any redemption requests not received by 12.00 noon (Irish time) on the relevant Dealing Day shall be processed on the next Dealing Day.

Redemption requests so received will be effected at the redemption price per Share which shall be the Net Asset Value per Share of the relevant Class calculated as at the Valuation Point.

Shareholders may redeem all or part of their holding of Shares provided that if the request would reduce their holdings below the Minimum Holding such request will be treated as a request to redeem their entire holding unless the Company otherwise determines. No redemption payment will be made from an investor holding until the original Application Form and all documentation required by or on behalf of the Company (including any documents in connection with anti-money laundering procedures) has been received from the investor and the anti-money laundering procedures have been completed.

### *Method and Timing of Payment*

Settlement for redemptions in any Fund will be made to an account in the name of the registered Shareholder normally by electronic transfer at the Shareholders' risk within 3 Business Days after the Dealing Day on which the redemption request has been received.

### *Withdrawal of Redemption Requests*

Requests for redemption may not be withdrawn in the event of suspension of calculation of the Net Asset Value of the Fund.

### *Compulsory Redemption*

Shares of the Fund may be compulsorily redeemed and all the Shares may be redeemed in the circumstances described in the Prospectus under the heading "Restrictions on Purchase, Transfer and Compulsory Redemptions".

## **9. Conversion of Shares**

Shareholders may convert some or all of their Shares in one Fund or Class to Shares in another Fund or Class or another Class in the same Fund in accordance with the procedures specified in the Prospectus under the heading "Conversion of Shares".

## **10. Suspension of Dealing**

Shares may not be issued, redeemed or converted during any period when the calculation of the Net Asset Value of the relevant Fund is suspended in the manner described in the Prospectus under the headings "Deferral of Redemption" and "Suspension of Calculation of Net Asset Value and of Issues and Redemptions". Applicants for Shares and Shareholders requesting redemption and/or conversion of Shares will be notified of such suspension and, unless withdrawn, applications for Shares will be considered and requests for redemption and/or conversion will be processed as at the next Dealing Day following the ending of such suspension.

## **11. Fees and Expenses**

The fees and operating expenses of the Company are set out in detail under the heading "Charges and Expenses payable by the Funds" in the Prospectus.

The Fund shall bear the fees and expenses relating to the establishment of the Fund and registering the Fund for sale in various markets. Such fees and expenses are not expected to exceed €20,000 and may be amortised over the first five accounting periods of the Fund or such other period as the Directors may determine and in such manner as the Directors in their absolute discretion deem fair.

### *Manager's Fees*

The Manager shall be entitled to receive out of the assets of the Fund an annual fee, accrued daily and payable monthly in arrears, at an annual rate of up to and not exceeding 0.01% of the Net Asset Value of the Fund subject to the minimum fees as set out in the section of the Prospectus under the heading "Manager's Fees". The Manager is also entitled to be reimbursed out of the assets of the Fund for the reasonable out-of-pocket costs and expenses incurred by the Manager in the performance of its duties (plus VAT thereon, if any).

### *Investment Manager's Fees*

#### *Management Fee*

The Fund will pay the Investment Manager a basic management fee of 0.85% per annum (plus VAT if any) in respect of the Euro Distribution, Euro Accumulation and Sterling Distribution Share Classes and 0.75% per annum (plus VAT if any) in respect of the Swedish Krona Institutional Accumulation Class Shares. The management fee will accrue daily on the basis of the Net Asset Value of the Fund on each Dealing Day and will be payable quarterly in arrears.

The management fee may be waived in full or in part at the sole discretion of the Investment Manager.

#### *Administrator's and Depositary's Fees*

The Administrator will be paid by the Fund an annual fee in respect of its duties as Administrator and Registrar accruing daily and paid monthly in arrears. The Depositary will be paid by the Fund an annual fee accruing daily and paid monthly in arrears. The aggregate of the Administrator's and Depositary's fees will not exceed 0.25% per annum of the Net Asset Value of each Fund. The Fund will bear its proportion of the fees and expenses of the Administrator and the Depositary.

In addition, the Depositary shall be reimbursed for all sub-custody fees and charges (both of which shall be charged at a normal, agreed commercial rate). The fees payable to the Administrator and the Depositary may be varied from time to time by agreement with the Company and are subject to annual review. Any increase in the fees payable will be notified in advance to Shareholders. The fees are exclusive of VAT (if any) payable by the Fund.

#### *Advisory Committee Fees*

It is envisaged that an Advisory Committee will be established of senior individuals with experience in the field of Environmental, Social and Governance ("ESG") or of investing globally in Socially Responsible Investments ("SRI"). The aggregate emoluments to all members shall not exceed £100,000 plus out of pocket expenses in any twelve months period. The fees shall be payable out of the assets of the Fund. In addition, the Advisory Committee may provide the Investment Manager with marketing advice in respect of the Fund. The Advisory Committee will not have discretion in making investment decisions.

#### *Initial Charge*

An initial charge will not be payable in respect of the Fund.

#### *Redemption Charge*

A redemption charge will not be payable in respect of the Fund.

#### *Performance Fee*

A performance fee will not be payable in respect of the Fund.

## **12. Distribution Policy**

Investors should note that both Distribution Class Shares and Accumulation Class Shares are available in respect of the Fund.

### **Distribution Class Shares**

If sufficient net income is available in the Fund attributable to the Distribution Class Shares, the Directors' current intention is to pay at their discretion a dividend of substantially the whole of the net income (including interest and dividend income less expenditure and liabilities) to holders of Distribution Class Shares in each calendar year. Owing to the investment objective of the Fund, the intended nature of the Fund's investments and the fact that the expenses of the Fund are in the first instance payable out of income, it is not anticipated that the net income of the Fund or any dividends will be significant.

The Administrator shall pay dividends, attributable to the Distribution Class Shares, in cash by electronic transfer. Shareholders may request that their dividends be reinvested in the Fund, in which case they will be issued an appropriate number of new shares.

Dividends (if any) will be declared within the first six months following the financial year end and shall be paid at such time as so decided by the Directors, provided always that such payment is made within three months of the date of the declaration of the dividend.

Dividends which are not claimed or collected within ten years of payment shall revert to and form part of the assets of the Fund.

### **Accumulation Class Shares**

It is not the current intention of the Directors to pay dividends attributable to the Accumulation Class Shares. Income and other profits attributable to such Shares will be accumulated and reinvested on behalf of Shareholders.

In the event that the Directors determine to declare dividends in respect of the Accumulation Class Shares in the Fund, full details will be provided in an updated prospectus and supplement and Shareholders will be notified in advance of any such change in the dividend policy (including the date by which dividends will be paid and the method by which dividends will be paid).

### **13. Profile of Typical Investor**

The Fund is suitable for investors seeking capital growth over a 5 to 10 year period and who are prepared to accept a moderate level of volatility.

### **14. Risk Factors**

The attention of investors is drawn to the section headed "Risk Factors" in the Prospectus.

#### *Cross Liability of Funds Risk*

The Company has segregated liability between its Funds and accordingly any liability incurred on behalf of or attributable to any Fund shall be discharged solely out of the assets of that Fund. While the provisions of the Companies Act provide for segregated liability between Funds, these provisions have yet to be tested in foreign courts, in particular, in satisfying local creditor claims.

#### *Market Capitalisation Risk*

Investors' attention is also drawn to the fact that the small and midcap companies in which the Fund invests may be less liquid than larger capitalised stocks and can be more sensitive to economic and other factors. As a result, the Fund may experience greater volatility both in the value of its investments and in its Net Asset Value per Share than a fund investing in larger capitalisation shares. This may be particularly relevant where positions need to be liquidated to meet redemption requests or other funding requirements. Small capitalisation companies often experience higher failure rates than do larger capitalisation companies.

#### *Risk Factors Not Exhaustive*

The investment risks set out in this Supplement and in the Prospectus do not purport to be exhaustive and potential investors should be aware that an investment in the Fund may be exposed to risks of an exceptional nature from time to time.

### **15. Benchmark**

MSCI Limited has been granted authorisation by the UK FCA as a UK administrator for all MSCI



equity indices under the Benchmark Regulations. MSCI Limited is listed on the FCA's register and the ESMA register for administrators.

APPENDIX

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1, to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Montanaro Better World Fund

Legal entity identifier: 635400INKQVF8Y5I5P87

## Sustainable investment objective

Does this financial product have a sustainable investment objective?



Yes



No



It will make a minimum of **sustainable investments with an environmental objective: 10%**



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective: 10%**



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



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**

**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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What is the sustainable investment objective of this financial product?

The Fund's Sustainability Objective is as follows:

*The Fund will seek to invest in high quality companies whose products, services or behaviour are deemed to make a positive impact on society and which emphasise sound environmental, social and governance (ESG) practices. Through the Fund's investments, the Investment Manager seeks to improve access to, and quality of, basic life essentials, reduce inequality, and mitigate the effects of climate change.*

In practice, and to contribute to the Sustainable Investment Objective, the Fund invests in small and midcap companies which have at least 50% of their revenues aligned with one or more of the six themes below:

1. **Environmental Protection** (including pollution control; water treatment; waste recycling and management; testing, inspection & certification);
2. **Green Economy** (including renewable energies; smart infrastructure; energy transition technologies)

- and efficient transportation);
- 3. **Healthcare** (including treatment of illnesses and diseases; medical innovation; affordable healthcare and prevention);
- 4. **Innovative Technologies** (including manufacturing efficiencies; smart robots & artificial intelligence; connectivity and cyber-security);
- 5. **Nutrition** (including efficient food production, sustainable food distribution; healthy eating and food security);
- 6. **Wellbeing** (including addressing the challenges of population ageing; active lifestyles, education and security & safety).

(together the “Sustainability Themes”)

These Sustainability Themes were chosen because they directly support 14 of the United Nations’ 17 Sustainable Development Goals (“SDGs”), namely:

- GOAL 2: Zero Hunger
- GOAL 3: Good Health and Well-being
- GOAL 4: Quality Education
- GOAL 5: Gender Equality
- GOAL 6: Clean Water and Sanitation
- GOAL 7: Affordable and Clean Energy
- GOAL 8: Decent Work and Economic Growth
- GOAL 9: Industry, Innovation and Infrastructure
- GOAL 10: Reduced Inequality
- GOAL 11: Sustainable Cities and Communities
- GOAL 12: Responsible Consumption and Production
- GOAL 13: Climate Action
- GOAL 14: Life below Water
- GOAL 15: Life on Land

Three Goals are not targeted directly by the Fund. These are:

- GOAL 1: No Poverty
- GOAL 16: Peace, Justice and Strong Institutions
- GOAL 17: Partnerships for the Goals

No target weightings have been set for the Sustainability Themes. The weighting of each Sustainability Theme is the result of the bottom-up stock-picking by the Investment Manager and may therefore vary over time.

To assess companies’ alignment with the Sustainability Themes, the Investment Manager relies primarily on its internal research (which includes the production of an Impact Report and an Impact Score) and engagement with investee companies. This is supplemented by external data from MSCI and Impact Cubed.

The Fund contributes to the following environmental objectives under the EU Taxonomy Regulation:

- (a) climate change mitigation;
- (b) climate change adaptation;
- (c) the sustainable use and protection of water and marine resources;
- (d) the transition to a circular economy; and
- (e) pollution prevention and control.

No sustainable reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

The Fund does not have a stated carbon emissions reduction target. However, it reports periodically on its carbon emissions and compares these to the Benchmark.

**Sustainability indicators** measure how the sustainable objectives of this 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 attainment of the sustainable investment objective of the Fund:

- i. Percentage of investee companies' revenue alignment with the targets which underpin the SDGs. The minimum required for a company to be eligible for investment (both new and ongoing) by the Fund is 50%.
- ii. Carbon intensity of the Fund (Scope 1 + 2) relative to its Benchmark;
- iii. Percentage of investee companies which have credible Net Zero Carbon strategies;
- iv. Percentage of women on boards of investee companies;
- v. Percentage of independent directors on boards of investee companies;
- vi. Percentage of companies which have an anti-bribery policy.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Investment Manager seeks to ensure that the investments in the Fund do no significant harm to any environmental or social objectives. As such, the Fund does 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).

The Investment Manager makes use of different data sources to assess the exposure of companies to the areas listed above. In addition to its own proprietary research and the engagement with investee companies, the Investment Manager receives data from Impact Cubed, which carries out an annual impact assessment of the Fund; MSCI, which provides ESG research on companies; and Factiva, a press monitoring service.

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

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 company.

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 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 or Impact Checklists have 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.

-- ***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



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

Yes, \_\_\_\_\_

No

Nearly all types of economic activity have the potential to impact various sustainability indicators, both positively and adversely. PAI indicators are a way of measuring how issuers negatively impact sustainability factors.

The Investment Manager aims to manage the risk connected to a potential adverse sustainability impact from its investments in several ways, including:

- by excluding investments that may cause environmental or social harm.
- through its proprietary ESG scoring system. All investments are scored by the analysts on ESG with the help of a proprietary checklist, which has three independent sections covering Environment, Social and Governance. Companies with a score below 4.5 are rejected.
- by estimating and monitoring 10 PAI indicators (as outlined above). Several of these PAI indicators are directly incorporated into the Investment Manager's ESG Checklist.
- by engaging with companies that fall short of expectations.

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

The Fund uses a third-party specialist, Impact Cubed, to estimate the principal adverse impacts.

There are challenges in identifying some PAIs for certain issuers, due to limited disclosure by the smaller companies that the Fund invests in. When the data is not available, the Investment Manager:

- i) will seek to obtain the data directly from the company through engagement; or
- ii) use Fund-level data compiled by Impact Cubed.

## What investment strategy does this financial product follow?

The Fund is actively managed and seeks to invest in high quality companies whose products, services or behaviour are deemed to make a positive impact on society and which emphasise sound ESG practices. Through the Fund's investments, the Investment Manager seeks to improve access to, and quality of, basic life essentials, reduce inequality, and mitigate the effects of climate change. The Fund shall invest in small and midcap companies primarily quoted in global markets and whose market capitalisation does not exceed that of the largest unadjusted market capitalisation of any of the constituents of Benchmark at the time of initial investment.


In order to meet the Fund's Sustainable Investment Objective, the Sustainability Risks arising from the Sustainability Themes are fully integrated into the Investment Manager's investment decisions. The Investment Manager ensures that at least 90% of portfolio securities (as a % of Net Assets) are subject to an ESG analysis. Investments of the Fund will demonstrate characteristics that align with the Fund's sustainability objective and the Investment Manager believes that investments will not significantly harm the Fund's sustainability investment objective. Where the level of risk is deemed to be unacceptable, the Investment Manager will either not invest or sell the holding. The Investment Manager's Sustainability Committee provides oversight of Sustainability Risks.

These decisions are made in line with the Investment Manager's overall approach to sustainability through the application of ethical exclusions, quantitative and qualitative assessments and engagement with the Fund's investee companies, each as further described below.

### ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

All companies held in the Fund must meet the following criteria, both pre-investment and on an ongoing basis:

- i. Exclusions – the Fund does not invest in companies with more than 10% revenue exposure to Tobacco; Alcohol; the manufacturing or supply of weapons; Pornography; Gambling; High-interest Rate Lending; Fossil Fuels and Animal Testing (ex-healthcare).
- ii. Revenue Alignment – the Fund invests in small and midcap companies which derive at least 50% of their revenue from one or more of the Fund's six Sustainability Themes, which cover a sub-set of 14 of the 17 SDGs, namely:
  - GOAL 2: Zero Hunger
  - GOAL 3: Good Health and Well-being
  - GOAL 4: Quality Education
  - GOAL 5: Gender Equality
  - GOAL 6: Clean Water and Sanitation
  - GOAL 7: Affordable and Clean Energy
  - GOAL 8: Decent Work and Economic Growth
  - GOAL 9: Industry, Innovation and Infrastructure
  - GOAL 10: Reduced Inequality
  - GOAL 11: Sustainable Cities and Communities
  - GOAL 12: Responsible Consumption and Production
  - GOAL 13: Climate Action



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

- GOAL 14: Life Below Water
- GOAL 15: Life on Land

- iii. ESG Standards – all companies must meet minimum ESG standards
- iv. 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.

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

● **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; and Voting. For every issuer, these areas are assessed by the Investment Manager both pre-investment and on an ongoing basis.

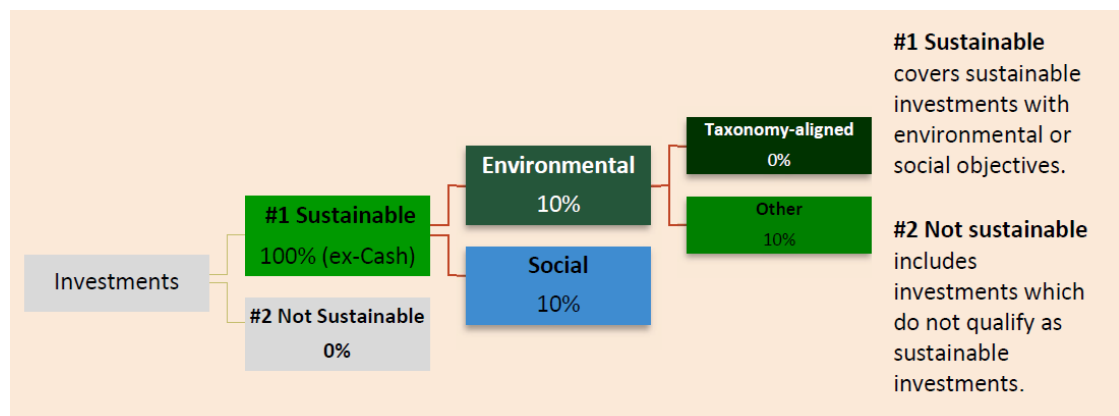
The Investment Manager votes on behalf of the Fund at every annual general meeting of our investee companies (unless this is not possible).

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.



**What is the asset allocation and the minimum share of sustainable investments?**

**Asset allocation** describes the share of investments in specific assets.



With the exception of Cash, which typically accounts for up to 5% of the Fund’s Net Asset Value, all investments qualify as “#1 Sustainable”.

● **How does the use of derivatives attain the sustainable investment objective?**

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

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.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully 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.



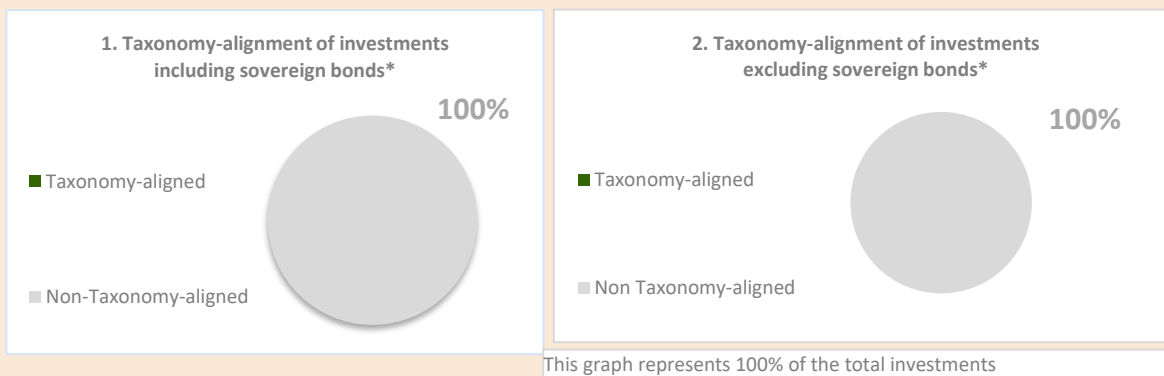
## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Although the Fund will invest at least 10% of its net assets in sustainable investments with an environmental objective, it has set a minimum of 0% alignment with EU Taxonomy-aligned activities.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

- 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.

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

Although the Fund invests in a number of companies that develop and market transitional and enabling activities, no minimum share has been set.

<sup>1</sup> 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 objectives - 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 sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund will invest at least 10% of its net assets in sustainable investments with an environmental objective that is not aligned with the EU Taxonomy.



### **What is the minimum share of sustainable investments with a social objective?**

The Fund will invest at least 10% of its net assets in sustainable investments with a social objective. Social objectives must be aligned with the Fund's Sustainability Themes, which themselves support 14 of the 17 United Nations' SDGs. These social objectives are:

- Supporting better healthcare (including treatment of illnesses & diseases; affordable healthcare, addressing the challenges of population ageing and prevention);
- Supporting better nutrition (including efficient food production, sustainable food distribution; healthy eating and food security);
- Supporting well-being (including addressing the challenges of population ageing; active lifestyles, education and security & safety);
- Supporting innovative technologies with social objectives (including manufacturing efficiencies; smart robots & artificial intelligence; connectivity and cyber-security).



### **What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?**

Only cash balances held by the Fund are classified as ‘#2 Not Sustainable’.

### **Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

No. The Fund's only benchmark is the MSCI World SMID Cap Index (TR) which is used for performance comparison purposes only.

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***

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-better-world-fund/>

