PRI Principles for Responsible Investment

RI TRANSPARENCY REPORT

2013/14

Montanaro

UNEP Finance Initiative Changing finance, financing change | United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the PRI website, ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six Principles for Responsible Investment. It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🏳	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

This document is based on information reported by signatories and responses have not been independently audited by the PRI Secretariat, PRI working groups, or any other third party. While this information is believed to be reliable, no representations or warranties are made as to its accuracy and no responsibility or liability can be accepted for any error or omission.

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Private							✓
OO 09	Additional information about organisation	✓	Private							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	🔒	n/a							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	🔒	n/a							✓
OA 07	Governance, management structures and RI processes	✓	Private							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

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Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private	✓						
LEI 02	Description of ESG incorporation	✓	Private	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Private	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Private	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Private	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Private	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	-	n/a	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

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Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Private		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 06	Objectives for engagement activities	🔒	n/a		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Private		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Private		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Private		✓					
LEA 20	Securities lending programme	✓	Private		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 24	Shareholder resolutions	✓	Private		✓					
LEA 25	Examples of (proxy) voting activities	✓	Private		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

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PRI Principles for Responsible Investment

Montanaro

Reported Information

Public version

Organisational Overview

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PRI Principles for Responsible Investment

Basic Information

OO 01 | Mandatory | Gateway/Peering | General

OO 01.1 Select the services you offer.

☑ Fund management

% of assets under management (AUM) in ranges

- ○ <10%
- ○ 10-50%
- ◉ >50%

☐ Fund of funds, manager of managers, sub-advised products

☐ Other, specify

☐ Execution and advisory only services

OO 02 | Mandatory | Peering | General

OO 02.1 Select the location of your organisation's headquarters.

United Kingdom

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ◉ 1
- ○ 2-5
- ○ 6-10
- ○ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

27

OO 03 | Mandatory | Descriptive | General

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ○ Yes
- ◉ No

OO 04 | Mandatory | Gateway/Peering | General

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OO 04.1 Indicate the year end date for your reporting year.

31/12/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		2	582	477	933
Currency	GBP				
Assets in USD		4	022	204	592

OO 04.3 Indicate the level of detail you would like to provide about your asset class mix.

◉ Approximate percentage breakdown to the nearest 5% (e.g. 45%)

○ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06 | **Mandatory** | **Descriptive** | **General**

OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

◉ Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	100	0
Fixed income – corporate	0	0
Fixed income – government	0	0
Fixed income – other	0	0
Private debt	0	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0

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Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as broad ranges

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png,.bmp and .gif)

Gateway asset class implementation indicators

OO 10 | **Mandatory** | **Gateway** | **General**

OO 10.1

Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

☑ We incorporate ESG issues into investment decisions on our internally managed assets

☑ We engage with companies on ESG issues via our staff, collaborations or service providers

☑ We cast our (proxy) votes directly or via service providers

☐ None of the above

OO 12 | **Mandatory** | **Gateway** | **General**

OO 12.1

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

☑ Organisational Overview

☑ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity incorporation

☑ Listed Equity incorporation

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	Direct - Listed Equity active ownership

☑ Engagements

☑ (Proxy) voting

Closing module

☑ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General

OA 01.1 Indicate if you have a responsible investment policy.

- (•) Yes
- ( ) No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- (•) Yes
- ( ) No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

All the companies in which Montanaro invests are subject to rigorous in-house research and to on-going review. Environmental, Social and Governance (ESG) considerations are an integral part of the Montanaro investment process.

Montanaro has been a signatory to the UN Principles for Responsible Investment (PRI) convention since February 2009. We believe ESG related issues can be fundamental in valuing companies and in being a good investment manager and a better investor.

Integral to Montanaro's approach to small company investment is the view "that the adoption by a company of positive social, environmental and ethical principles… can enhance long-term performance and increase financial returns". We consider both the company and the industry in which it operates.

Montanaro also follows the principles underlying "The Stewardship Code" published by the Financial Reporting Council in July 2010.

Montanaro has consistently been and remains a supportive and long-term investor. Meetings, typically face-to-face, take place regularly with the management of all investee companies allowing us to actively engage with management on all issues related to Corporate Governance and ESG. These meetings help us to establish and develop strong, open relationships.

OA 02	Mandatory	Core Assessed	PRI 6

OA 02.1 Indicate if your responsible investment policy is publicly available.

- (•) Yes

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OA 02.2	Provide a URL to your responsible investment policy.

	URL

http://www.montanaro.co.uk/our-approach/our-approach-to-esg

○ No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.

○ Yes

◉ No

OA 02.5	Additional information. [Optional]

Other documents are not publicly available but can be provided on request.

OA 03	Mandatory	Core Assessed	PRI 1,2

OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
☑ Policy setting out your overall approach	◉ Applicable policies cover all AUM
☑ (Proxy) voting policy	○ Applicable policies cover a majority of AUM
☐ Engagement/active ownership policy	○ Applicable policies cover a minority of AUM
☑ Specific guidelines on corporate governance	
☐ Specific guidelines on environmental issues	
☐ Specific guidelines on social issues	
☐ Asset class-specific guidelines	
☐ Screening/exclusion policy	
☐ Other, specify	
☐ Other, specify	

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OA 03.3	Additional information. [Optional]

Some of our clients have their own exclusion lists which we take into account when we invest for their portfolio. Any restrictions are integrated in our Charles River Investment Management system which automatically blocks trading in the restricted stocks.

OA 04	Mandatory	Core Assessed	General

OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

◉ Yes

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OA 04.2	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

Conflict of Interest Policy and Procedures
April 2013

Introduction
A conflict of interest is a situation in which someone in a position of trust has competing professional or personal interests. Such competing interests can make it difficult for individuals to fulfill their duties impartially. A conflict of interest may exist even if no unethical or improper act results from it.

Within the context of this policy, three main types of conflicts are considered:
1. conflicts between the interests of two or more clients;
2. conflicts between the interests of MAM and the interests of one or more clients;
3. conflicts between the interests of MAM's employees (or connected persons) and the interests of one or more clients.

This Policy deals with the effective and equitable resolution of conflicts of interest that could arise. The purpose of the Policy is to identify all likely conflicts of interest and, if the conflict is likely to damage a client's interests, to disclose the general nature of the conflict to the client together with our procedures for minimizing its impact before undertaking business on their behalf.

MAM is committed to identifying, monitoring and managing all actual and potential conflicts of interest that can arise between us and our clients. References made to 'MAM' within this policy relate to all Financial Conduct Authority (FCA) registered individuals. This policy is designed to fulfill MAM's obligations under SYSC 10, COBS 12 and Principles for Business 8 of the Financial Services Handbook.

Below you will find a summary of the principal conflicts that may exist in our business and the steps we take to mitigate them. If you have any questions on this Policy, in the first instance please raise these with the Compliance Officer of MAM.

Matters Considered in Preparing our Policy
In preparing this Policy, we have sought to consider whether the Firm, relevant person or a person linked to the Firm:
• stands to make a financial gain or to avoid a financial loss at the expense of the client;
• has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client which is distinct from the client's interest in that outcome;
• has a financial or other incentive to favor the interest of another client or group of clients above the interests of the client;
• carries on the same business as the client;
• receives or will receive from a person other than the client an inducement in relation to a service provided to the client in the form of monies, goods or services, other than the standard commission or fee for that service.

Senior management are committed to ensuring that this Policy is embedded in MAM's culture. Potential conflicts of interest and actual conflicts of interest identified are discussed at regular executive meetings to ensure the correct action to mitigate the conflict was or will be taken. Training is given to all staff to make them aware of this Policy and also what they should do if they identify a potential conflict of interest.

New Clients

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When taking on a new client, any potential conflicts of interest are considered. The following points are checked and documented as part of our New Client Process:

• are any potential conflicts of interest between a member of staff, a connected person of theirs and the client identified following a check against the business interest declarations of MAM's staff?

• is there a conflict between any of MAM's other clients?

• is there a conflict between MAM and the client?

Where a conflict is identified with the new client and a member of staff, MAM may decide to exclude that person from dealing with the new client. If there is a conflict between an existing client and the new client, it may be that MAM decides not to take on the new client or if it does, to disclose the conflict to both. The same may apply if a conflict is identified between MAM and the new client. In each instance, the details of any conflict are recorded in the conflicts register along with details of how the conflict was mitigated and notified to MAM's Compliance Officer.

New Products or Providers of Services

When MAM considers a new product, it will undertake a conflict of interest check at the product development stage. Any conflicts of interest identified are recorded in the Conflicts of Interest Register.

Monitoring

Periodic operational risk reviews by senior management will look for any new potential areas of possible conflict of interest not considered previously by consulting all relevant personnel. This is formally noted as a minuted item at MAM Board Meetings. Senior management will also monitor expenditure and the Gifts and Benefits and Corporate Hospitality Registers to ensure that there is not a pattern of receiving or making gifts and benefits to any one particular client or supplier. They will look at the Complaints Register to ensure that any complaints were dealt with fairly and promptly and at the Dealing Errors log to ensure that no client has been disadvantaged.

Remuneration

The firm's Remuneration Policy, which includes the reward of discretionary bonuses, ensures that staff are not encouraged to put their own interests above those of clients in order to receive bonuses. A few persons are on a contract for services basis with specified remuneration and reimbursements which are tightly controlled by the board. MAM strives to ensure that all employees remain motivated whilst at the same time ensuring their remuneration and discretionary bonus does not encourage inappropriate behavior by employees for their own gain at the expense of clients. MAM recognises this potential conflict of interest and through our monitoring mechanisms remain alert to potential abuse. MAM also has a Remuneration Policy as specified by the FCA which all Bipru firms are required to adhere to.

Chinese Walls

A Chinese Wall is the creation of an information barrier. Essentially, this requires information held by a manager or employee of one Fund to be withheld from, or not used by, persons from another Fund. The use of a Chinese Wall can be established and enforced by the Compliance Department and includes the physical segregation of staff, date and computer systems. However, MAM takes the view that it is better not to have Chinese Walls but instead to ensure that all Fund Managers have access to essentially the same material information at broadly the same time. Our Treating Customers Fairly Policy includes procedures to ensure this is the case.

Treating Customers Fairly

MAM has a Treating Customers Fairly Policy in place in order to mitigate any potential conflicts of interests between clients.

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Inside Information

This relates to confidential, non-public information of a precise nature that is related to one or more issuers of financial instruments or to commodities which is likely to have a significant impact on the price of a financial instrument, commodity or a related derivative of a financial instrument or commodity. The use of such information to make a financial gain or to avoid a financial loss is a criminal offence under the Insider Dealing Laws. The FCA and the Stock Exchange monitor dealing ahead of announcements to identify such behaviour. MAM has an Insider Dealing Policy in place and has made it known to all staff that Insider Dealing is a criminal offence punishable by dismissal and likely criminal action.

Gifts and Inducements

On occasions, our employees may personally benefit from dealings with potential or existing clients, suppliers, services providers etc. A Gifts and Benefits Policy and Register is in place which is monitored by the Compliance Officer to ensure that these are not excessive and do not create any obligation, debt or a conflict of interest. Staff are required to seek permission before making or accepting any gift or benefit above £250. Additionally, any corporate events held with existing clients are approved by the Compliance Officer and documented in our Corporate Hospitality and Sponsorship Register before being allowed to go ahead.

Personal Account Dealing

It is usual for employees of a financial institution such as MAM to undertake deals on their own behalf. We recognise that this can create a conflict with the duties owed to our clients. All of MAM's employees and their connected persons are required to comply with our Personal Account Dealing Policy which prohibits dealing in securities in our universe.

Business Interests and Suitability

We are required to ensure that our actions are suitable for our clients. However, MAM or a person connected with MAM may have an interest, relationship or arrangement that is material to the service, transaction or investment concerned.

MAM's employees may have an interest, relationship or arrangement whereby they act as a Trustee, hold Power of Attorney on behalf of a client, or act as a Director for a corporate client or Partner for an LLP. Employees complete a Declaration of Business Interests Form when they join the company and are required to notify MAM of any changes of outside interests or any new interests.

Conflict of Interest Register

Conflicts of interest situations and potential conflicts of interest situations are reported immediately to the Compliance Officer. These are date recorded in the Conflicts of Interest Register and notes made as to how the conflict was managed / mitigated along with any supporting documentation.

Under SYSC 10.1.6 MAM keeps and regularly updates a record of any conflict of interest that arises that may lead to a material risk of damage to the interests of one or more clients.

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○ No

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General

OA 05.1 Indicate if your organisation sets objectives for its responsible investment activities.

○ Yes

◉ No

OA 05.4 Additional information. [Optional]

Montanaro does not have any quanitfiable objectives set for responsible investment beyond completion of Environmental& Social and Corporate Governance checklists for all companies on our Approved List. The ESG Committe reviews and monitors ESG activity each quarter, ensuring that any issues that have arisen are followed up and addressed satisfactorily.

Governance and human resources

OA 08	Mandatory	Gateway/Core Assessed	General

OA 08.1 Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

☐ Board members or trustees

☑ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☑ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Other Chief-level staff or head of department, specify

Head of Research

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☑ Oversight/accountability for responsible investment

☑ Implementation of responsible investment

☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Portfolio managers

☑ Oversight/accountability for responsible investment

☑ Implementation of responsible investment

☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Investment analysts

☑ Oversight/accountability for responsible investment

☑ Implementation of responsible investment

☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Dedicated responsible investment staff

☐ External managers or service providers

☑ Other role, specify

ESG Committee members

☑ Oversight/accountability for responsible investment

☑ Implementation of responsible investment

☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Other role, specify

OA 08.3 Additional information. [Optional]

The three members of staff on Montanaro's ESG Committee are not solely dedicated to SRI full time, however it is Montanaro's policy to ensure that SRI is integrated into every area of the company, and it is the responsibility of all members of the team to do this. Therefore the three ESG Committe Members are representatives of the Research, Business Development and Compliance and Administration teams.

Promoting responsible investment

OA 10 | **Mandatory** | **Core Assessed** | **PRI 4,5**

OA 10.1 Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

◉ Yes

OA 10.2 Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

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PRI Principles for Responsible Investment

☐ Asian Corporate Governance Association

☐ Association for Sustainable & Responsible Investment in Asia

☐ Australian Council of Superannuation Investors

☐ CDP Climate Change

☐ CDP Forests

☐ CDP Water

☐ CFA Institute Centre for Financial Market Integrity

☐ Council of Institutional Investors (CII)

☐ Eumedion

☐ Extractive Industries Transparency Initiative (EITI)

☐ Global Investors Governance Network (GIGN)

☐ Global Real Estate Sustainability Benchmark (GRESB)

☐ Institutional Investors Group on Climate Change (IIGCC)

☐ Interfaith Center on Corporate Responsibility (ICCR)

☐ International Corporate Governance Network (ICGN)

☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)

☐ Investor Network on Climate Risk (INCR)/CERES

☐ Local Authority Pension Fund Forum

☑ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We apply the PRI principles and attend some of the events/webinars organised by the PRI

☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

☐ Shareholder Association for Research and Education (Share)

☐ United Nations Environmental Program Finance Initiative (UNEP FI)

☐ United Nations Global Compact

☑ Other collaborative organisation/initiative, specify

UK Stewardship Code

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Your organisation's role in the initiative during the reporting year (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We follow the principles of the code and apply them in our investment process.

☐ Other collaborative organisation/initiative, specify

☐ Other collaborative organisation/initiative, specify

☐ Other collaborative organisation/initiative, specify

○ No

OA 11	Mandatory	Core Assessed	PRI 4

OA 11.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

◉ Yes

OA 11.2 Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations

☐ Provided financial support for academic or industry research on responsible investment

☐ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

☐ Spoke publicly at events and conferences to promote responsible investment

☐ Wrote and published in-house research papers on responsible investment

☑ Encouraged the adoption of the PRI

☐ Other, specify

○ No

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Montanaro

Reported Information

Public version

Direct - Listed Equity Incorporation

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ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1

LEI 03.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☑ Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	%
	100

- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed listed equities

100%

LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

ESG is integrated into our investment process. Ultimately ESG issues can have a material influence on our investment opinion of any company and it is part of Montanaro's philosophy that the best companies should run their businesses in a socially responsible manner because, ultimately, that will increase profitability and decrease investment risk.

We do not have thematic funds.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1

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LEI 06.1 Indicate and describe the type of screening you apply to your internally managed active listed equities.

Type of screening

☑ Negative/exclusionary screening

Screened by

- ☐ Product
- ☑ Activity
- ☑ Sector
- ☐ Country/geographic region
- ☑ Environmental and social practices and performance
- ☑ Corporate governance

Description

Each analyst is required to produce an E&S checklist as well as a Corporate Governance checklist for each stock they cover. Companies that do not pass the checklists will not be added to the Approved List. Additionally some clients have their own restricted lists which we take into account when investing for their portfolios.

Montanaro does not invest in tobacco, gambling, alcohol, pornography or offensive weapons.

☑ Positive/best-in-class screening

Screened by

- ☐ Product
- ☑ Activity
- ☑ Sector
- ☐ Country/geographic region
- ☑ Environmental and social practices and performance
- ☑ Corporate governance

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	Description

Each analyst produces an E&S checklist as well as a Corporate Governance checklist for each stock they cover. The results of this analysis are an integral part of the overall quality assessment of the company on which investment decisions are based.

☐ Norms-based screening

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

The Corporate Governance and E&S Checklists are reviewed by the analyst and updated to reflect any new information gained from contact with the company or external news sources.

As stated above, this is part of the overall investment process, and therefore clients are not notified of changes. However, in some cases we have discussed specific stock issues with clients.

LEI 07	Mandatory	Core Assessed	PRI 1

LEI 07.1	Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

☑ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.

☑ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies

☐ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar

☑ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies

☑ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions

☑ A periodic review of the quality of the research undertaken or provided is carried out

☐ Other, specify

☐ None of the above

(C) Implementation: Integration of ESG issues

LEI 11	Mandatory	Core Assessed	PRI 1

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LEI 11.1 Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	◉ We systematically review the potential significance of environmental issues and investigate them accordingly ○ We occasionally review the potential significance of environmental issues and investigate them accordingly ○ We do not review environmental issues
Social	◉ We systematically review the potential significance of social issues and investigate them accordingly ○ We occasionally review the potential significance of social issues and investigate them accordingly ○ We do not review social issues
Corporate Governance	◉ We systematically review the potential significance of corporate governance issues and investigate them accordingly ○ We occasionally review the potential significance of corporate governance issues and investigate them accordingly ○ We do not review corporate governance issues

Communication

LEI 18 | **Mandatory** | **Core Assessed** | **PRI 2,6**

LEI 18.1 Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

◉ We disclose it publicly

Provide URL

http://www.montanaro.co.uk/our-approach/our-approach-to-esg

LEI 18.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

○ Yes

◉ No

LEI 18.3 Indicate the information your organisation proactively discloses to clients/ beneficiaries and/or the public regarding your approach to ESG incorporation.

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Reporting to public	Reporting to clients/beneficiaries
◉ Broad approach to ESG incorporation ○ Detailed explanation of ESG incorporation strategy used	○ Broad approach to ESG incorporation ◉ Detailed explanation of ESG incorporation strategy used

LEI 18.4 Indicate how frequently you typically report this information.

Reporting to public	Reporting to clients/beneficiaries
◉ Quarterly or more frequently ○ Between quarterly and annually ○ Less frequently than annually ○ Other, specify	◉ Quarterly or more frequently ○ Between quarterly and annually ○ Less frequently than annually ○ Other, specify

○ We disclose it to clients and/or beneficiaries only

○ We do not proactively disclose it to the public and/or clients/beneficiaries

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Montanaro

Reported Information

Public version

Direct - Listed Equity Active Ownership

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Engagement

Overview

LEA 02	Mandatory	Gateway	PRI 1,2,3

LEA 02.1 Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.

Type of engagement	Reason for interaction
Individual/Internal staff engagements	☑ To support investment decision-making (e.g. company research) ☑ To influence corporate practice (or identify the need to influence) on ESG issues ☑ To encourage improved ESG disclosure ☐ Other, specify ☐ We do not engage via internal staff
Collaborative engagements	☐ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☐ To encourage improved ESG disclosure ☑ Other, specify Due to the quality bias in our investment philosophy, we rarely need to be involved in collaborative engagements. ☐ We do not engage via collaborative engagements
Service provider engagements	☐ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☐ To encourage improved ESG disclosure ☐ Other, specify ☑ We do not engage via service providers

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2

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LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

- ○ Yes
- ◉ No

LEA 03.3	Additional information. [Optional]

We do not have a formal process for engagement activities, but this is carried out as part of our normal investment process whenever required. Generally enagagment is carried out by the analyst, sometimes supported by members of the ESG Committee.

LEA 04	Mandatory	Core Assessed	PRI 2

LEA 04.1	Indicate if you define specific objectives for your engagement activities.

- ○ Yes
- ◉ No

LEA 04.2	Indicate if you monitor the actions that companies take following your engagements.

- ◉ Yes
  - ○ Yes, in all cases
  - ◉ Yes, in the majority of cases
  - ○ Yes, in the minority of cases

LEA 04.3	Describe how you monitor and evaluate the progress of your engagement activities.

Analysts maintain ongoing contact with companies to monitor issues. We also review news flow and the decisions made at AGMs to verify whether our engagement has been successful.

- ○ No

General processes for all three groups of engagers

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2

LEA 10.1	Indicate if you track the number of companies you engage with.

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Type of engagement	Tracking engagements
Individual / Internal staff engagements	◉ Yes, we track the number of our engagements in full ○ Yes, we partially track the number of our engagements ○ No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers ○ No, we do not track and cannot estimate our engagements

Communication

LEA 15 | **Mandatory** | **Core Assessed** | **PRI 2,6**

LEA 15.1 Indicate whether your organisation proactively discloses information on its engagements.

○ We disclose it publicly

◉ We disclose it to clients and/or beneficiaries only

LEA 15.3 Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.

Engagement information disclosed

☐ Details of the selections, priorities and specific goals of engagement

☑ Number of engagements

☑ Breakdown of engagements by type/topic

☐ Breakdown of engagements by region

☐ An assessment of the current status of the engagement

☑ Outcomes that have been achieved from the engagement

☐ Other information

LEA 15.4 Indicate how frequently you typically report engagements information

○ Disclosed continuously (prior and post engagements)

○ Disclosed quarterly

○ Disclosed annually

○ Disclosed every two years or less

◉ Other, specify

Every 6 months

○ We do not proactively disclose it to the public and/or clients/beneficiaries.

(Proxy) voting and shareholder resolutions

Process

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LEA 17	Mandatory	Descriptive	PRI 2

LEA 17.1 Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

Approach

○ We use our own research or voting team and make our own voting decisions without the use of service providers.

◉ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on

○ the service provider voting policy signed off by us

○ our own voting policy

○ our clients requests or policy

◉ other, explain

Our main policy is the provider policy which we have agreed, but we also have one client that has provided their own policy.

○ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

○ We hire service provider(s) which make voting decisions on our behalf.

LEA 21	Mandatory	Core Assessed	PRI 2

LEA 21.1 Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.

○ Yes, in most cases

◉ Sometimes, in the following cases:

☐ votes in selected markets

☑ votes on certain issues (all markets)

☑ votes for significant shareholdings (all markets)

☐ other, explain

○ No

○ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2

LEA 22.1 For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

◉ We do track or collect this information

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Votes cast (to the nearest 1%)

%

100

Specify the basis on which this percentage is calculated

- ◉ of the total number of ballot items on which you could have issued instructions
- ○ of the total number of company meetings at which you could have voted
- ○ of the total value of your listed equity holdings on which you could have voted

○ We do not track or collect this information

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6

LEA 26.1 Indicate if your organisation proactively discloses information on your voting activities.

◉ We disclose it publicly

provide URL

http://www.montanaro.co.uk/our-approach/our-approach-to-esg/environmental-social

LEA 26.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- ○ Yes
- ◉ No

LEA 26.3 Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

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Reporting to the public	Reporting to clients/beneficiaries
Indicate how much of your voting record you disclose	**Indicate how much of your voting record you disclose**
○ All voting decisions	○ All voting decisions
○ Some voting decisions	○ Some voting decisions
○ Only abstentions and opposing vote decisions	○ Only abstentions and opposing vote decisions
◉ Summary of votes only	◉ Summary of votes only
Indicate what level of explanation you provide	**Indicate what level of explanation you provide**
○ Explain all voting decisions	○ Explain all voting decisions
○ Explain some voting decisions	◉ Explain some voting decisions
○ Only explain abstentions and votes against management	○ Only explain abstentions and votes against management
◉ No explanations provided	○ No explanations provided

LEA 26.4 Indicate how frequently you typically report voting information.

Reporting to the public	Reporting to clients/beneficiaries
○ Continuously (primarily before meetings)	○ Continuously (primarily before meetings)
○ Continuously (soon after votes are cast)	○ Continuously (soon after votes are cast)
◉ Quarterly or more frequently	○ Quarterly or more frequently
○ Between quarterly and annually	◉ Between quarterly and annually
○ Less frequently than annually	○ Less frequently than annually
○ Other, specify	○ Other, specify

LEA 26.5 Describe any other differences in the information being disclosed. [Optional]

A summary of votes cast is publicly available on our website, but further information is available to clients on request. We report periodically on voting activity to some clients depending on their requirements.

○ We disclose it to clients/beneficiaries only

○ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

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