

Explanation of the principal adverse impacts of investment decisions on sustainability factors

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Marcard, Stein & Co AG LEI: 529900CK14SGH0EXOB27

Summary

Marcard, Stein & Co AG (LEI: 529900CK14SGH0EXOB27) considers the principal adverse impacts of its investment decisions on sustainability factors. This statement is the consolidated statement on the principal adverse impacts on sustainability factors of Marcard, Stein & Co AG.

This statement on the principal adverse impacts on the sustainability factors relates to the reference period from January 1, 2023 to December 31, 2023.

The principal adverse impacts on sustainability factors, also known as PAIs (Principal Adverse Impacts), are taken into account in the investment process by the minimum standards of Marcard, Stein & Co AG. The consideration of the respective PAI characteristics varies. Consideration can take the form of an exclusion, whereby issuers with poor PAI characteristics are not investable, or in the form of a focus in engagement meetings.

Description of the principal adverse impacts on sustainability factors

Marcard, Stein & Co AG discloses data on the principal adverse impacts on sustainability factors in relation to asset management.

The availability and quality of data on the principal adverse impacts on sustainability factors of the investment universe is still

evolving at this time. This is due to various influences, such as the alignment and applicability of reporting standards to investable companies and sovereign issuers, further developments in the calculation methodologies for sustainability indicators and ongoing efforts by market participants and data providers to make data accessible and standardized. Marcard, Stein & Co AG does not yet consider the available data to be sufficient to be able to derive well-founded decisions for action. It is possible that the values for the principal adverse impacts will increase as data availability and quality continue to improve, without Marcard, Stein & Co AG having any influence over this. With regard to its current quantitative reporting, Marcard, Stein & Co AG therefore limits itself to disclosing and monitoring the principal adverse impacts of its investment decisions on sustainability factors without deriving action plans or thresholds for the avoidance or reduction of PAIs for the following reference period.

Marcard, Stein & Co AG will review this procedure annually.

The investment universe in which Marcard, Stein & Co AG operates as a financial market participant includes investable companies, sovereign issuers, indirect forms of investment (funds and ETFs), structured products, commodities and cash.

For the current reference period, Marcard, Stein & Co AG discloses information on coverage, i.e. the percentage of investments for which data on the principal adverse impacts on sustainability factors were available as at December 31, 2023. Coverage data helps to create transparency about the asset mix in the portfolio and the limitations of the available data. The

calculation is based on PAI data on direct investments in investable companies and sovereign issuers as well as indirect investments (funds) sourced from an external data provider (MSCI ESG). This data is compared with four snapshots of the

assets under management in the reference period as at fixed reporting dates (March 31 / June 30 / September 30 / December 31). The effect for the year corresponds to the value based on a weighted annual average.

Indicators for investments in companies in which investments are made						
Sustainability indicator for adverse impacts	Measured variable	Effects for the year 2023	Effects for the year 2022	Explanations	Measures taken and planned and targets for the next reference period	
Climate indicators and other environmental indicators						
Green-house gas emissions	1. GHG emissions	Scope-1-Greenhouse gas emissions	26.041,02 tons CO ₂ e	7.230,51* tons CO ₂ e	Data coverage 92,93%	Disclosure and ongoing review Investments in companies with increased greenhouse gas emissions are restricted by defining turnover limits for companies related to thermal coal. The turnover limits for companies related to thermal coal are as follows: For all portfolios administered and managed by Marcard, Stein & Co AG, investments in companies with a turnover share of more than 5 percent from the mining of thermal coal and / or more than 22.5 percent from the generation of energy from thermal coal are prohibited.
		Scope-2-Greenhouse gas emissions	3.264,18 tons CO ₂ e	1.939,96* tons CO ₂ e	The significantly higher values in some cases compared to 2022 result from the following aspects: - Higher data coverage than in the previous year (cf. 85%) - Higher weighted investments in companies with increased GHG emissions (primarily Heidelberg Materials and RWE)	
		Scope-3-Greenhouse gas emissions	65.225,88 tons CO ₂ e	63.624,28* tons CO ₂ e		
		GHG emissions in total	94.531,08 tons CO ₂ e	72.794,75* tons CO ₂ e		
	2. CO ₂ -footprint	CO ₂ -footprint	484,21 tons CO ₂ e / Mio. Euro	416,38* tons CO ₂ e / Mio. Euro	Data coverage 97,43%	
4. Involvement in companies operating in the fossil fuels sector	Proportion of investments in companies operating in the fossil fuel sector	9,82 percent	12,44* percent	Data coverage 99,99%		
					5. Share of energy consumption and energy generation from non-renewable energy sources	Share of energy consumption and production of the companies invested in from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy consumption and production sources
6. Intensity of energy consumption by climate intensive sectors	Energy consumption in GWh per EUR 1 million turnover of the companies in which investments are made, broken down by climate intensive sectors	2,86 GWh / Mio. Euro turnover	3,31* GWh / Mio. Euro turnover	Data coverage 88,80%	For individual companies, the data provider does not offer a breakdown by climate-intensive sectors, so the data is published in an aggregated value across all climate intensive sectors	

* Updated values for 2022 due to Group-wide standardization of the calculation bases (explanations in the notes)

Indicators for investments in companies in which investments are made						
Sustainability indicator for adverse impacts	Measured variable	Effects for the year 2023	Effects for the year 2022	Explanations	Measures taken and planned and targets for the next reference period	
Climate indicators and other environmental indicators						
Biodiversity	7. Activities that have a negative impact on areas with biodiversity in need of protection	Proportion of investments in companies with sites / operations in or near areas of biodiversity conservation concern where the activities of these companies adversely affect these areas	6,67 percent	5,24* percent	Data coverage 99,99% The significantly higher value compared to 2022 results from higher weighted investments in companies with detrimental activities for areas with biodiversity in need of protection (primarily Heidelberg Materials and RWE)	Disclosure and ongoing review
Water	8. Emissions to water	Tons of water emissions generated by the investee companies per million EUR invested, expressed as a weighted average	6,31 tons / million Euro invested	11,56* tons / million Euro invested	Data coverage 24,21%	Disclosure and ongoing review
Waste	9. Proportion of hazardous and radioactive waste	Tons of hazardous and radioactive waste generated by the investee companies per million EUR invested, expressed as a weighted average	17.649,17 tons / million Euro invested	19.066,90* tons / million Euro invested	Data coverage 60,17%	Disclosure and ongoing review
Indicators in the areas of social affairs and employment, respect for human rights and combating corruption and bribery						
Social affairs and employment	10. Violations of the UNGC principles and the Organization for Economic Cooperation and Development (OECD) guidelines for multinational enterprises	Percentage of investments in companies involved in violations of the UNGC principles or the OECD guidelines for multinational enterprises	0,10 percent	0,33* percent	Data coverage 100,00% The value of 0.10% despite the exclusion criteria described under measures and targets results from the investment in ETFs / funds. At the level of the individual companies, the value is 0.00%.	Disclosure and ongoing review Investments in companies that violate the UNGC principles and the Organization for Economic Cooperation and Development (OECD) guidelines for multinational enterprises are directly restricted by the fact that all portfolios administered and managed by Marcard, Stein & Co AG are prohibited from investing in companies with very serious corporate controversies that also violate the principles of the UN Global Compact or OECD guidelines. The UN Global Compact (UNGC) principles defined by the United Nations aim to make globalization fair, environmentally and socially responsible. The OECD guidelines for multinational enterprises are a code of conduct for globally responsible corporate behavior and represent recommendations from governments to business.

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Indicators for investments in companies in which investments are made						
Sustainability indicator for adverse impacts	Measured variable	Effects for the year 2023	Effects for the year 2022	Explanations	Measures taken and planned and targets for the next reference period	
Indicators in the areas of social affairs and employment, respect for human rights and combating corruption and bribery						
Social affairs and employment	11. Lack of processes and compliance mechanisms to monitor compliance with the UNGC principles and the OECD guidelines for multinational enterprises	Percentage of investments in companies that do not have policies in place to monitor compliance with the UNGC principles and the OECD guidelines for multinational enterprises or procedures to address complaints of noncompliance with the UNGC principles and the OECD guidelines for multinational enterprises	33,17 percent	39,42* percent	Data coverage 99,98%	Disclosure and ongoing review
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap for the companies in which investments are made	6,94 percent	6,86* percent	Data coverage 52,56%	Disclosure and ongoing review
	13. Gender diversity in the management and supervisory bodies	Average ratio of women to men in the management and supervisory bodies of the companies in which investments are made, expressed as a percentage of all members of the management and supervisory bodies	36,34 percent	33,93* percent	Data coverage 95,76%	Disclosure and ongoing review
	14. Involvement in controversial weapons (antipersonnel mines, cluster munitions, chemical and biological weapons)	Proportion of investments in companies involved in the production or sale of controversial weapons	0,03 percent	0,03* percent	Data coverage 100,00%	Investitionen in Unternehmen mit einem Engagement in umstrittenen Waffen (sowie Nuklearwaffen) werden direkt beschränkt, indem Umsatzgrenzen für Unternehmen mit Bezug zu umstrittenen Waffen definiert werden. Die Umsatzgrenzen für Unternehmen mit Bezug zu umstrittenen Waffen gestalten sich folgendermaßen. Für alle durch die Marcard, Stein & Co AG administrierten und gemanagten Vermögensverwaltungen werden Investitionen in Unternehmen mit einem Umsatzanteil von mehr als 0 Prozent aus der Produktion oder dem Vertrieb von umstrittenen Waffen (sowie Nuklearwaffen) untersagt.

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Indicators for investments in states and supranational organizations						
Sustainability indicator for adverse impacts		Measured variable	Effects for the year 2023	Effects for the year 2022	Explanations	Measures taken and planned and targets for the next reference period
Environment	15. GHG emissions intensity	GHG emission intensity of the countries to which is invested	229,22 tons CO _{2e} / million Euro GDP	253,76* tons CO _{2e} / million Euro GDP	Data coverage 90,59%	Disclosure and ongoing review
Social	16. Countries in which investments are made that violate social regulations	Number of countries invested in that violate social regulations according to international treaties and conventions, United Nations principles or, if applicable, national legislation (absolute number and relative number divided by all countries invested in)	8,00 countries	16,00* countries	Data coverage 90,59% Based on a global investment (directly via bonds and indirectly via funds or ETFs), the sum of all countries is equated with the countries recognized by the United Nations (195 countries).	Disclosure and ongoing review Investments in countries that violate social regulations are directly restricted by defining exclusion criteria for countries. The exclusion criteria for countries are as follows: For all portfolios administered and managed by Marcard, Stein & Co AG, investments in countries that have not ratified the UN civil package or the UN conventions or have a government MSCI ESG rating of "CCC" are prohibited.
			4,10 percent	8,21* percent		

Indicators for investments in real estate						
Sustainability indicator for adverse impacts		Measured variable	Effects for the year 2023	Effects for the year 2022	Explanations	Measures taken and planned and targets for the next reference period
Fossil fuels	17. Exposure to fossil fuels through investment in real estate	Share of investments in real estate related to the extraction, storage, transportation or production of fossil fuels	Not disclosed	Not disclosed	No investment in real estate	No investment in real estate
Energy efficiency	18. Exposure to real estate with poor energy efficiency	Proportion of investments in properties with poor energy efficiency	Not disclosed	Not disclosed	No investment in real estate	No investment in real estate

Additional climate indicators and other environmental indicators						
Sustainability indicator for adverse impacts		Measured variable	Effects for the year 2023	Effects for the year 2022	Explanations	Measures taken and planned and targets for the next reference period
Indicators for investments in companies in which investments are made						
Emissions	Deforestation	Share of investments in companies without strategies to combat deforestation	62,27 percent	60,25* percent	Data coverage 69,05%	Disclosure and ongoing review

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Additional indicators for the areas of social affairs and employment, respect for human rights and combating corruption and bribery						
Sustainability indicator for adverse impacts	Measured variable		Effects for the year 2023	Effects for the year 2022	Explanations	Measures taken and planned and targets for the next reference period
Indicators for investments in companies in which investments are made						
Human rights	Lack of human rights policy	Proportion of investments in companies without a human rights policy	3,69 percent	5,49* percent	Data coverage 69,05%	Disclosure and ongoing review
Indicators for investments in states and supranational organizations						
Human rights	Average performance in the area of human rights	Assessment of the average human rights performance of the countries in which investments are made using a quantitative indicator, which is explained in the column "Explanation"	0,70 points	0,68* points	Data coverage 90,59% This indicator is the "fundamental rights" sub-indicator of the World Justice Project (WJP) Rule of Law Index. The sub-indicator measures a country's performance in human rights issues according to factor 4 of the WJP Rule of Law Index. The score can range from 0 to 1.0, with higher scores indicating stronger national performance on a wide range of human rights issues. No value is given for this indicator for countries that are not covered.	Disclosure and ongoing review

Description of the strategies for identifying and weighting the principal adverse impacts on sustainability factors

The most important adverse impacts on sustainability factors, also known as PAIs, are taken into account in the investment process by the minimum standards of Marcard, Stein & Co AG. The consideration of the respective PAI characteristics varies. Consideration can take the form of an exclusion, whereby issuers with poor PAI scores are not eligible for investment, or in the form of a focus in engagement meetings.

The minimum standards begin with a quantitative screening process that excludes companies from the investable investment universe that do not meet the minimum environmental, social and ethical requirements set by Marcard, Stein & Co AG. This includes shares and bonds of companies that are active in the area of controversial weapons or nuclear weapons or that have strong corporate controversies ("Red Flag" in the sense of the MSCI methodology / violation of the UN Global

Compact). This is understood to mean serious misconduct in the areas of environmental, social and employee matters, human rights and the fight against corruption and bribery. In addition, companies that exceed certain turnover thresholds in the area of thermal coal mining or energy generation from thermal coal are excluded. Marcard, Stein & Co AG therefore pays particular attention to reducing the carbon footprint of its investments with regard to the assessment of environmental damage.

With the exception of the results from the "controversial weapons" area, which immediately lead to direct exclusion from the investment universe, the quantitative result is evaluated in the subsequent qualitative analysis by an ESG committee of the Warburg Group, which combines the expertise of the portfolio management of various Group companies in its composition and in which Marcard, Stein & Co AG is represented by its Chief Investment Officer. Additional information on the companies (e.g. from direct discussions with the

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companies) can also be included. In this way, all exclusions are continuously reviewed and adjusted if necessary.

Um fundierte Einschätzungen zum Schweregrad von Kontroversen zu treffen, wird der aktive Dialog mit ausgewählten Unternehmen gesucht.

When implementing the strategy described and evaluating the sustainability characteristics of individual issuers, we use our own research and, in particular, the information available from service providers specializing in sustainability analyses. Marcard, Stein & Co AG mainly uses the methodology of the ESG data provider MSCI ESG. Detailed information can be found on the Internet at:

<https://www.msci.com/our-solutions/sustainable-investing>.

If issuers are unable or unwilling to provide information, for example, estimated data may be required. This estimated data can be obtained directly from data providers. MSCI ESG uses estimated data to a limited extent, for example in relation to greenhouse gas or CO₂ emissions. As coverage and methodologies change and evolve, the proportion of estimated data cannot be reliably stated.

Marcard, Stein & Co AG does not guarantee the accuracy and completeness of the data provided by MSCI ESG. Furthermore, Marcard, Stein & Co AG does not guarantee the accuracy of assessments by MSCI ESG. Marcard, Stein & Co AG also has no influence on any disruptions in the analysis and research preparation by MSCI ESG.

As the standards and regulatory frameworks for the consideration of sustainability criteria are still under development, the data required to consider the main adverse impacts on sustainability factors are not always available and the consideration of PAIs may therefore only be possible to a limited extent.

Participation policy

Engagement discussions are held with companies as part of the Warburg Group's ESG committee. These discussions take place in order to supplement the MSCI ESG data on PAIs and to bring about changes in the behavior of companies with regard to PAI characteristics (classic engagement). In addition to its own research, Marcard, Stein & Co AG receives information on PAIs from MSCI ESG at the necessary level of detail. Although Marcard, Stein & Co AG is in close contact with MSCI ESG via the Warburg Group's ESG committee, the company's view on the matter is sometimes very revealing. The list of potential engagement candidates includes issuers that have corporate controversies that are very serious and not (partially) resolved and are also suspected of violating the UN Global Compact principles. If there is reasonable doubt about the implementation of a measure to improve a PAI, a new engagement meeting is scheduled. If the objectives cannot be implemented at the companies concerned, the company is placed on the list of global minimum exclusions. Voting rights are not exercised in the asset management of Marcard, Stein & Co AG.

Reference to internationally recognized standards

As part of the ESG controversy screening, companies that are involved in one or more serious corporate misconduct are excluded from the sustainable investment universe. ESG controversy screening is carried out on the basis of the following global standards:

- the United Nations Global Compact (UNGC),
- the United Nations General Principles on Business and Human Rights (UNGP),
- the conventions of the International Labor Organization (ILO).

According to the data provider MSCI ESG, the controversy methodology described continues to be aligned with the OECD Guidelines for Multinational Enterprises. By integrating the ESG controversy screening and the explicit exclusion of companies that violate the 10 principles of the UN Global Compact, PAI indicator no. 10 is also taken into account.

Historical comparison

Compared to the previous year (2022), a significant improvement was achieved across all disclosed indicators on the principal adverse impacts of investment decisions on sustainability factors. Of the total of 19 disclosed indicators (16 mandatory and 3 voluntary indicators), ten have improved and four have deteriorated. For the remaining five indicators, there were only minor changes, both upwards and downwards.

The four PAIs that have deteriorated are the greenhouse gas emissions (PAI 1), the carbon footprint (PAI 2) and the greenhouse gas emissions intensity (PAI 3) of the investee companies as well as the adverse impacts of the investee companies' business activities on areas with biodiversity in need of protection (PAI 7).

In the PAIs relating to greenhouse gas emissions (1, 2 and 3), the significant increase in some indicators is due to the following aspects:

- higher data coverage than in the previous year (increase from around 85% to around 93%) and
- higher weighted investments in companies with increased greenhouse gas emissions (bonds issued by Heidelberg Materials and RWE).

The increase in the adverse impacts of the invested companies' business activities on

areas with biodiversity in need of protection (PAI 7) is primarily due to the following aspect:

- higher weighted investments in companies with increased greenhouse gas emissions (bonds issued by Heidelberg Materials and RWE).

Notes

Compared to the preparation of the report on the principal adverse impacts of investment decisions on sustainability factors in the previous year (2022), it was decided to standardize the calculation bases at Group level for the current report. This results in the following changes for the calculations of Marcard, Stein & Co AG:

- Investments for which no data is available are nevertheless included in the market value of the investments made, as the disclosure of data coverage provides an indication of the quality of the calculated values. In the previous year, investments for which no data is available were excluded from the market value of the investments made.
- The available data for companies and countries are now only shown in relation to the investments made in companies or countries. In the previous year, the data was presented in relation to investments in companies and countries.

Due to these changes, the principal adverse effects of investment decisions on sustainability factors for 2022 were recalculated on the basis of the new calculation principles and the updated values were published in the aforementioned tables in order to ensure better comparability of the values for 2022 and 2023. In addition, calculation errors in PAIs 8 and 9 were eliminated.

In the following, the values for 2022 resulting from the changed calculation bases are compared once again with the originally published values.

PAI Indicator	Description	2022 new	2022 old	Unit
PAI 1	Scope 1 GHG emissions companies	7.230,51	7.577,86	tons CO ₂ e
	Scope 2 GHG emissions companies	1.939,96	2.010,60	tons CO ₂ e
	Scope 3 GHG emissions companies	63.624,28	65.916,19	tons CO ₂ e
	Scope 123 GHG emissions companies	72.794,75	75.554,86	tons CO ₂ e
PAI 2	CO ₂ footprint	416,38	251,27	tons CO ₂ e / million Euro
PAI 3	GHG emission intensity companies	725,68	467,51	tons CO ₂ e / million Euro turnover
PAI 4	Share of companies fossil fuels	12,44	11,69	percent
PAI 5	Share of nonrenewable energy sources	68,42	70,04	percent
PAI 6	Energy consumption climate-intensive sectors	3,31	3,66	GWh / million Euro turnover
PAI 7	Biodiversity	5,24	4,87	percent
PAI 8	Water emissions	11,56	176,71	tons / million invested Euro
PAI 9	Hazardous waste	19.066,90	2,48	tons / million invested Euro
PAI 10	Violations UNGC	0,33	0,32	percent
PAI 11	Lack of compliance UNGC, OECD	39,42	39,54	percent
PAI 12	Gender pay gap	6,86	13,10	percent
PAI 13	Gender diversity management board	33,93	36,83	percent
PAI 14	Controversial weapons	0,03	0,03	percent
PAI 15	GHG emission intensity countries	253,76	79,09	tons CO ₂ e / million Euro GDP
PAI 16	Countries violating social regulations	16,00	8,00	countries
Voluntary	Deforestation companies	60,25	88,67	percent
	Lack of human rights policy companies	5,49	8,53	percent
	Avg. performance human rights countries	0,68	0,75	points