Statement on sustainability-related disclosures

Pursuant to Articles 3 and 5 SFDR (Regulation (EU) 2019/2088)

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Marcard, Stein & Co AG
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I. General information

Regulation (EU) No. 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability-related disclosure requirements - also known as the Disclosure Regulation - provides for new transparency obligations with regard to sustainability criteria and sustainability risks. Among other things, this requires disclosures to be made on the website both at product level, which take into account environmental or social characteristics, for example, and at company level. The following publications refer to the legally required disclosures on websites in accordance with the Disclosure Regulation.

Marcard, Stein & Co AG (hereinafter referred to as "MSC") offers services both as a financial market participant within the meaning of Article 2 No. 1 j) of the Disclosure Regulation and as a financial advisor within the meaning of Article 2 No. 11 c) of the Disclosure Regulation. Sustainability risks are integrated into the investment process for both activities as a financial market participant and as a financial advisor, or the principle adverse impacts on sustainability factors are taken into account, depending on the product or service offering.

II. Transparency in the strategies for dealing with sustainability risks in financial portfolio management and investment advice

Article 3 SFDR (Regulation (EU) 2019/2088)

According to Article 3 of Regulation (EU) 2019/2088, information on the integration of sustainability risks in financial portfolio management and investment advice must be published. The aim of the regulation is to support sustainable investments through transparency and disclosure of information on the integration of sustainability risks in the investment process.

Sustainability risk within the meaning of Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability-related disclosures in the financial services sector refers to an environmental, social or governance event or condition, the occurrence of which could have an actual or potential material adverse effect on the value of the investment.

These sustainability risks can have a significant impact on all known risk types and can therefore be a significant component of these risk types (e.g. market risk, liquidity risk, counterparty risk and operational risk).

MSC has firmly integrated the consideration of sustainability risks into the investment process for financial portfolio management and investment advice. The assessment of sustainability risks is based on the database of our sustainability research provider MSCI and the information provided by product providers regarding the integration of sustainability risks into the respective products.

III. Strategy for taking sustainability risks into account in financial portfolio management

Article 3, para. 1 SFDR (Regulation (EU) 2019/2088)

As part of the investment process, MSC incorporates the relevant financial risks into all investment decisions and evaluates them on an ongoing basis. When selecting assets for financial portfolio management, the influence of risk indicators, including sustainability risks, is therefore assessed in addition to the objectives of the investment strategy.

Our process for selecting or excluding certain securities and creating a global exclusion list is divided into a quantitative area, in which we access the database of our service provider MSCI ESG Research (with ratings on over 680,000 securities), and a qualitative area, in which the previously collected results are evaluated.

Quantitative exclusion criteria at company level:

The following criteria are currently considered for investments in companies:

- Business activities in the area of controversial weapons (incl. nuclear weapons)
- Principles of the UN Global Compact and corporate misconduct
- Shares in the thermal coal business (energy generation and production)
- CO_2-intensity in combination with an assessment of CO_2-management

All companies involved in the field of "controversial" weapons (including nuclear weapons) are filtered out.

Furthermore, companies that violate the principles of the UN Global Compact and/or are assessed by MSCI based on the classification of corporate misconduct are filtered out as follows: Existence of a very serious, direct controversy that is either ongoing or only partially resolved (hereinafter "irrevocable controversies").

The "thermal coal" sector is considered specifically: All companies from the thermal coal energy generation sector with a current turnover share of more than 20 percent and/or a turnover share of more than 5 percent from energy production will be excluded from the investment universe. The turnover exemption limit for the generation of electricity from thermal coal will be reduced annually by at least 2.5 percentage points up to a de minimis limit of one percent. Companies in the thermal coal power generation sector are not subject to exclusion if the issue in question is a green bond.

In addition, companies with a CO_2-intensity of more than 525 tons of CO_2 e / million sales in combination with a Carbon Emissions Management Score of less than 4.25 will be excluded. The threshold value of the carbon emissions management score will be gradually increased as follows by 2030:
2026: 4,5 >> 2028: 4,75 >> 2030: 5,0

CO_2-intensive companies are not excluded if the issue in question is a green bond.

The global exclusion list for companies is updated monthly.

Quantitative exclusion criteria at country level:
Sovereigns and explicitly government-related issuers must be irrevocably excluded from the investment universe if they do not meet one or more of the following requirements:

- Ratification or signing of the International Covenant on Civil and Political Rights (UN Civil Pact)
- Signature of the United Nations Convention against Corruption
- MSCI ESG Government Rating of at least "B"

The global exclusion list for countries and explicitly government-related issuers is updated on a quarterly basis.

Qualitative assessment by the Warburg ESG Investment Committee:
The previously quantitatively determined exclusions are reviewed from a qualitative perspective by the Warburg ESG Investment Committee. The Warburg ESG Investment Committee is currently made up of two employees and a managing director of Warburg Invest Kapitalanlagegesellschaft, two employees of M.M.Warburg & CO Asset Management, the Chief Investment Officer of MSC and the Head of ESG Management at M.M.Warburg & CO.

At company level, the Warburg ESG Investment Committee has the option - with the exception of the quantitative result from the area of controversial weapons and "irrevocable controversies" - to take other controversies and aspects into account when determining the company exclusions that apply across the Group. This can lead to further companies being excluded from the global investment universe or the quantitative result being overruled on the basis of further findings (e.g. from direct company dialogs). The quantitative exclusions for countries and explicitly government-related issuers may be qualitatively expanded by the Warburg ESG Investment Committee in light of current events.

Both final exclusion lists are binding for MSC's financial portfolio management.

MSC does not exercise voting rights at Annual General Meetings within the meaning of Section 134b (1) no. 1 AktG. In financial portfolio management, this is generally carried out by MSC's clients. MSC does not monitor the exercise of voting rights by its clients. In the case of investment funds advised by MSC, the exercise of voting rights is the responsibility of the respective capital management companies. MSC neither issues instructions to the respective capital management company nor monitors the exercise of voting rights.

MSC does not pursue a participation policy in accordance with Article 3g of Directive 2007/36/EC of the European Parliament and of the Council. The background to this is the trade-off between cost and benefit. Exercising voting rights involves a great deal of effort, particularly in the case of foreign stock corporations, and is therefore not always in the interests of our clients. In particular, due to the small shareholding in a public limited company, the voting result at a general meeting is hardly significantly influenced.

MSCI data sources:
https://www.msci.com/documents/1296102/1636401/ESG_Controversies_Factsheet.pdf/4dfb3240-b5ed-0770-62c8-159c2ff785a0
https://www.msci.com/our-solutions/esg-investing/esg-ratings
https://www.msci.com/our-solutions/esg-investing/climate-solutions/climate-data-metrics
https://www.msci.com/documents/1296102/14524248/MSCI+ESG+Research+BISR+Methodology+Over-view.pdf/7f1b40fb-b74c-243f-173f-1e610ec0e19c

IV. Strategy for taking sustainability risks into account in investment advice

Article 3, para. 2 SFDR (Regulation (EU) 2019/2088)

As part of the investment process, MSC incorporates the relevant financial risks into all investment decisions and evaluates them on an ongoing basis. When selecting assets for investment advice, the influence of risk indicators, including sustainability risks, is therefore assessed in addition to the objectives of the investment strategy.

Our process for selecting or excluding certain securities and creating a global exclusion list is divided into a quantitative area, in which we access the database of our service provider MSCI ESG Research (with ratings on over 680,000 securities), and a qualitative area, in which the previously collected results are evaluated.

Quantitative exclusion criteria at company level:
The following criteria are currently considered for investments in companies:

- Business activities in the area of controversial weapons (incl. nuclear weapons)
- Principles of the UN Global Compact and corporate misconduct
- Shares in the thermal coal business (energy generation and production)
- CO_2-intensity in combination with an assessment of CO_2-management

All companies involved in the field of "controversial" weapons (including nuclear weapons) are filtered out.

Furthermore, companies that violate the principles of the UN Global Compact and/or are assessed by MSCI based on the classification of corporate misconduct are filtered out as follows: Existence of a very serious, direct controversy that is either ongoing or only partially resolved (hereinafter "irrevocable controversies").

The "thermal coal" sector is considered specifically: All companies from the thermal coal energy generation sector with a current turnover share of more than 20 percent and/or a turnover share of more than 5 percent from energy production will be excluded from the investment universe. The turnover exemption limit for the generation of electricity from thermal coal will be reduced annually by at least 2.5 percentage points up to a de minimis limit of one percent. Companies in the thermal coal power generation sector are not subject to exclusion if the issue in question is a green bond.

In addition, companies with a CO_2-intensity of more than 525 tons of CO_2 e / million sales in combination with a Carbon Emissions Management Score of less than 4.25 are excluded. The threshold value of the carbon emissions management score will be gradually increased as follows by 2030:
2026: 4,5 >> 2028: 4,75 >> 2030: 5,0

CO_2-intensive companies are not excluded if the issue in question is a green bond.

The global exclusion list for companies is updated monthly.

Quantitative exclusion criteria at country level:
Sovereigns and explicitly government-related issuers must be irrevocably excluded from the investment universe if they do not meet one or more of the following requirements:

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At company level, the Warburg ESG Investment Committee has the option - with the exception of the quantitative result from the area of controversial weapons and "irrevocable controversies" - to take other controversies and aspects into account when determining the company exclusions that apply across the Group. This can lead to further companies being excluded from the global investment universe or the quantitative result being overruled on the basis of further findings (e.g. from direct company dialogs). The quantitative exclusions for countries and explicitly government-related issuers may be qualitatively expanded by the Warburg ESG Investment Committee in light of current events.

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MSC does not pursue a participation policy in accordance with Article 3g of Directive 2007/36/EC of the European Parliament and of the Council. The background to this is the trade-off between cost and benefit. Exercising voting rights involves a great deal of effort, particularly in the case of foreign stock corporations, and is therefore not always in the interests of our clients. In particular, due to the small shareholding in a public limited company, the voting result at a general meeting is hardly significantly influenced.

MSCI data sources:
https://www.msci.com/documents/1296102/1636401/ESG_Controversies_Factsheet.pdf/4dfb3240-b5ed-0770-62c8-159c2ff785a0
https://www.msci.com/our-solutions/esg-investing/esg-ratings
https://www.msci.com/our-solutions/esg-investing/climate-solutions/climate-data-metrics
https://www.msci.com/documents/1296102/14524248/MSCI+ESG+Research+BISR+Methodology+Over-view.pdf/7f1b40fb-b74c-243f-173f-1e610ec0e19c

V. Information on the remuneration policy

Article 5 SFDR (Regulation (EU) 2019/2088)

Our remuneration policy is consistent with the consideration of sustainability risks, in particular the avoidance of incentives for misconduct. As part of our remuneration policy, we ensure that the performance of our employees is not remunerated or assessed in a way that conflicts with our duty to act in the best interests of our clients. In particular, the remuneration does not create any incentives to recommend a financial instrument that is less suited to the needs of clients. Our remuneration structure is based on collective agreements or individual employment contract regulations and our remuneration principles. It does not encourage excessive risk-taking in relation to the sale of financial instruments with high sustainability risks.

VI. Overview of the changes

Article 12 SFDR (Regulation (EU) 2019/2088)

In accordance with Article 12 of the SFDR (Regulation (EU) 2019/2088), the information published as part of the sustainability-related disclosures must be regularly reviewed and changes documented and published. Corresponding changes for MSC are listed in the table below.

Publication	Changes	Version
10.10.2022	First publication	V01
23.05.2023	Integration of the section on the participation policy pursuant to Article 3g of Directive 2007/36/EC Article 4 (2) SFDR (Regulation (EU) 2019/2088)	V01
23.08.2023	Deletion of the section on focused sustainability strategies under bullet point I. Information on strategies for integrating sustainability risks into investment decision-making processes and statement on due diligence strategies in relation to the main adverse impacts of investment decisions on sustainability factors pursuant to Article 3(1) and Article 4(3) SFDR (Regulation (EU) 2019/2088), as no focused sustainability strategies are offered	V01
23.09.2024	Change of publication format (old: continuous text on homepage / new: downloadable PDF document)	V02
23.09.2024	More detailed description of strategies for considering sustainability risks in financial portfolio management and investment advice	V02
23.09.2024	Deletion of the sections on the information on the consideration of the principle adverse impacts on sustainability factors in our investment advice and the transparency of adverse sustainability impacts at company level in accordance with Article 4 SFDR (Regulation (EU) 2019/2088), as this information is reflected in the "Statement on the principle adverse impacts of investment decisions on sustainability factors" and the "Statement on the consideration of the principle adverse impacts on sustainability factors in investment advice"	V02
23.09.2024	Deletion of the separate section on the participation policy in accordance with Article 3g of Directive 2007/36/EC Article 4 (2) SFDR (Regulation (EU) 2019/2088) and integration of the content into Sections III and IV (Strategies for the consideration of sustainability risks)	V02