Statement on the principle adverse impacts of investment decisions on sustainability factors

Pursuant to Article 4 (1) and (2) SFDR (Regulation (EU) 2019/2088)

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Marcard, Stein & Co AG
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Summary

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

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

The principle adverse impacts on sustainability factors, also known as PAIs (Principal Adverse Impacts), are taken into account in the investment process by the MSC minimum standards. The consideration of the respective PAI characteristics varies. Consideration can take the form of exclusion, whereby issuers with poor PAI characteristics are not eligible for investment. In addition, consideration can also take the form of positive selection, in which issuers with a comprehensively progressive sustainability strategy are selected.

In summary, MSC's financial portfolio management considers the financing of companies that have a high impact on the climate or the environment due to high CO_2 emissions and the financing of companies that operate in business areas with a negative impact on society to be material negative impacts of its investment decisions. The additional indicators were also selected on the basis of these material negative impacts and the Group-wide minimum ESG investment standards were designed, which exclude, for example, manufacturers of controversial weapons.

The (raw) data for the direct and indirect analysis of PAIs comes from MSCI ESG Research. The analyses described below are carried out quarterly - analyses in line with our ESG Investment Minimum Standards are carried out monthly.

The aggregation of PAI data for MSCs financial portfolio management depends on the particular product range managed by MSCs financial portfolio Management. Consequently, the PAI data is influenced by two factors: client preferences (which products clients invest in) and market conditions (which affect the assets held in these products and the weighting of assets within these products).

The availability and quality of data on the principle adverse impacts on sustainability factors in 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, advancements in sustainability indicator calculation methodologies, and ongoing efforts by market participants and data providers to access and standardize data. It is therefore possible that the values for the most important negative impacts will increase as data availability and quality continue to improve, without MSC having any influence on this. With regard to its current quantitative reporting, MSC therefore limits itself to disclosing and monitoring the main adverse impacts of its investment decisions on sustainability factors and will only occasionally derive action plans or limits for the following reference period to avoid or reduce PAIs.

MSC will review this procedure annually.

The investment universe in which MSC 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, MSC discloses information on data coverage, i.e. the percentage

of assets for which data on principle adverse impacts on sustainability factors was available. Data coverage information 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 Resarch). This data is assessed on the basis of 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 impact for the year corresponds to the value based on a weighted annual average.

Description of the principle adverse impacts on sustainability factors

<table>
<tr><th colspan="7">Indicators for investments in companies in which investments are made</th></tr>
<tr><th colspan="2">Sustainability indicator for adverse impacts</th><th>Measured variable</th><th>Effects for the year 2023</th><th>Effects for the year 2022</th><th>Explanations</th><th>Measures taken and planned and targets for the next reference period</th></tr>
<tr><td colspan="7">Climate indicators and other environmental indicators</td></tr>
<tr><td rowspan="8">Green-house gas emissions</td><td rowspan="4">1. GHG emissions</td><td>Scope-1-Greenhouse gas emissions</td><td>26.041,02 tons CO_2e</td><td>1.939,96* tons CO_2e</td><td rowspan="5">Data coverage 91% (PY: 94%)

The significantly higher values in some cases compared to 2022 result from higher-weighted investments in companies with increased GHG emissions (mainly Heidelberg Materials and RWE), with the investment in RWE being a so-called green bond.</td><td rowspan="8">Disclosure and ongoing review

All companies involved in thermal coal-based power generation with a current revenue share of more than 20 percent and/or a revenue share of more than 5 percent from thermal coal mining are excluded. The revenue exemption limit for thermal coal-based power generation is reduced annually by at least 2.5 percentage points, down to an exemption 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 carbon intensity of more than 525 tons of CO_2e / million in revenue combined with a Carbon Emissions Management Score of less than 4.25 are excluded. The threshold of the Carbon Emissions Management Score will be gradually increased until 2030 as follows:
2026: 4.5 >> 2028: 4.75 >> 2030: 5.0

CO_2-intensive companies are not subject to exclusion if the emissions in question are from a green bond.</td></tr>
<tr><td>Scope-2-Greenhouse gas emissions</td><td>3.264,18 tons CO_2e</td><td>63.624,28* tons CO_2e</td></tr>
<tr><td>Scope-3-Greenhouse gas emissions</td><td>65.225,88 tons CO_2e</td><td>72.794,75* tons CO_2e</td></tr>
<tr><td>GHG emissions in total</td><td>94.531,08 tons CO_2e</td><td>416,38* tons CO_2e</td></tr>
<tr><td>2. CO_2-footprint</td><td>CO_2-footprint</td><td>484,21 tons CO_2e / Mio. Euro</td><td>725,68* tons CO_2e / Mio. Euro</td></tr>
<tr><td>3. GHG emission intensity of the companies in which investments are made</td><td>GHG emission intensity of the companies in which investments are made</td><td>852,79 tons CO_2e / Mio. Euro turnover</td><td>12,44* tons CO_2e / Mio. Euro turnover</td><td>Data coverage 96% (PY: 91%)

Explanation of the increased value analogous to PAIs 1 and 2 as well as due to higher data coverage</td></tr>
<tr><td>4. Involvement in companies operating in the fossil fuels sector</td><td>Proportion of investments in companies operating in the fossil fuel sector</td><td>9,82 percent</td><td>68,42* percent</td><td>Data coverage 98% (PY: 94%)</td></tr>
<tr><td>5. Share of energy consumption and energy generation from non-renewable energy sources</td><td>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</td><td>56,92 percent</td><td>3,31* percent</td><td>Data coverage 85% (PY: 91%)

Data is reported as a combined figure that includes the share of non-renewable energy consumed and the share of non-renewable energy produced</td></tr>
</table>

*Updated values for 2022 due to changes in the basis of calculation (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						
Green-house gas emissions	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	5,24* GWh / Mio. Euro turnover	Data coverage 87% (PY: 91%) NACE Code A: Agriculture, forestry and fishing	Analogous to PAIs 1 to 5
			6,67 GWh / Mio. Euro turnover	Due to a lack of data availability, no breakdown by climate-intensive sectors took place in the previous year, which is why an aggregated value for all investments in companies was published.	Data coverage 87% (PY: 91%) NACE Code B: Mining and quarrying	
			6,31 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code C: Manufacturing industry	
			17.649,17 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code D: Electricity, gas, steam and air conditioning supply	
			0,10 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code E: Water supply; sewerage, waste and remediation activities	
			33,17 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code F: Construction	
			6,94 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code G: Wholesale and retail trade; repair of motor vehicles and motorcycles	
			36,34 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code H: Transportation and storage	
			0,03 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code L: Real estate activities	
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	3,69 percent	11,56* percent	Data coverage 98% (PY: 94%) The significantly higher value compared to 2022 results from higher-weighted investments in companies with adverse activities in areas with vulnerable biodiversity (mainly Heidelberg Materials and RWE), whereby the investment in RWE is a so-called green bond, as well as from higher data coverage.	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	62,27 tons / million Euro invested	19.066,90* tons / million Euro invested	Data coverage 24% (PY: 18%)	Disclosure and ongoing review

*Updated values for 2022 due to changes in the basis of calculation (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						
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	229,22 tons / million Euro invested	0,33* tons / million Euro invested	Data coverage 59% (PY: 60%)	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	8,00 percent	39,42* percent	Data coverage 98% (PY: 94%) The figure of 0.10% despite the exclusion criteria described under “Objectives and Measures” is due to the investment in ETFs/funds. At the level of the individual companies, the figure is 0.00%.	Disclosure and ongoing review All companies are excluded that violate the principles of the UN Global Compact and/or are rated by MSCI on the basis of the classification of corporate misconduct as follows: the existence of a very serious, direct controversy that is either persistent or only partially resolved (hereinafter “irreversible controversies”).
	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	0,04 percent	6,86* percent	Data coverage 98% (PY: 94%)	Disclosure and ongoing review
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap for the companies in which investments are made	0,70 percent	33,93* percent	Data coverage 52% (PY: 52%)	Disclosure and ongoing review

*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
Indicators in the areas of social affairs and employment, respect for human rights and combating corruption and bribery						
Social affairs and employment	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	35,63 percent	0,03* percent	Data coverage 94% (PY: 88%)	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	253,76* percent	Data coverage 98% (PY: 94%) The figure of 0.03% despite the exclusion criteria described under “Objectives and Measures” is the result of investments in ETFs/funds. At the level of the individual companies, the figure is 0.00%.	Disclosure and ongoing review All companies involved in “controversial” weapons (including nuclear weapons) are excluded.

*Updated values for 2022 due to changes in the basis of calculation (explanations in the notes)

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	219,97 tons CO_2e / million Euro GDP	16,00* tons CO_2e / million Euro GDP	Data coverage 87% (PY: 77%) The slight increase compared to the previous year is mainly due to the higher data coverage in the current reference period.	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)	3 countries	60* countries	Data coverage 87% (PY: 84%) Since the complete list of countries invested in is not available for all government bond funds/ETFs, the Bloomberg Global Treasury Index is used as a proxy for the number of countries invested in for the globally investing government bond funds/ETFs in the portfolio.	Disclosure and ongoing review Countries and explicitly government-related issuers are irrevocably excluded from the investment universe if they fail to meet one or more of the following requirements: - Ratification or signing of the International Covenant on Civil and Political Rights (ICCPR) - Signing of the United Nations Convention against Corruption - MSCI ESG Government Rating of at least “B”
			6,25 percent	12,50* percent		

*Updated values for 2022 due to changes in the basis of calculation (explanations in the notes)

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

*Updated values for 2022 due to changes in the basis of calculation (explanations in the notes)

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	61,05 percent	5,49* percent	Data coverage 68% (PY: 62%) The slight increase compared to the previous year is mainly due to the higher data coverage in the current reference period.	Disclosure and ongoing review

*Updated values for 2022 due to changes in the basis of calculation (explanations in the notes)

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	3,61 percent	0,68* percent	Data coverage 68% (PY: 62%)	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"	0,68 points	0,57* points	Data coverage 87% (PY: 78%) 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 on 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 values indicating stronger national performance across a broad spectrum of human rights issues. For countries that are not covered, no value is entered for this indicator.	Disclosure and ongoing review

*Updated values for 2022 due to changes in the basis of calculation (explanations in the notes)

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

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 raised 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 (including 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.

This approach to limiting the negative impact of investment decisions through global exclusion lists was introduced on 01.01.2021 by the introduction of the Group-wide ESG Investment Minimum Standards and officially adopted at the inaugural meeting of the Warburg ESG Investment Committee on February 3, 2021. The Warburg ESG Investment Committee acts as the Group-wide management body for sustainability issues in investment strategies and was appointed by the Management Board of M.M.Warburg & CO. The strategy is regularly reviewed as part of the monthly meetings of the Warburg ESG Investment Committee. The adoption into the organizational regulations of MSC took place on 01.05.2021.

As part of the monthly meetings of the Warburg ESG Investment Committee, the responsibilities for reducing the negative impact of investment decisions are organized and implemented by the individual departments and subsidiaries, including MSC and its financial portfolio management. The implementation of the ESG Investment Minimum Standards is taken into account in the construction of all investment strategies of MSC's financial portfolio management.

In selecting the additional environmental / social indicators required in accordance with Article 6 (1) a), b) and c) of Regulation (EU) 2022/1288, MSC has made various considerations, including the following

- Data quality
- Degree of interpretability in connection with the description of the indicator
- Alignment with MSC's strategic initiatives and priorities

Against this background, the indicators were selected according to whether MSCI ESG Research has the highest possible data coverage, which ensures reliable interpretability. In addition, it is relevant whether meaningful indicators can be calculated with the data available at MSCI ESG Research and whether the indicators are in line with the existing objectives and processes of MSC's sustainability strategy.

In the area of additional climate indicators and other environment-related indicators, the focus was on checking whether invested companies have active strategies for dealing with deforestation. The indicator has good data coverage, can be clearly interpreted using the MSCI ESG research data and is closely linked to MSC's sustainability strategy, which sets high requirements for companies with regard to CO_2 emissions via the ESG Investment Minimum Standards. The indicators on the CO_2 emissions of the invested companies are also particularly relevant because this is where we see the greatest likelihood of potentially serious and irreversible environmental and climate damage occurring.

For the additional indicators in the areas of social and employment, respect for human rights and anti-corruption and bribery, indicators were selected that relate to respect for human rights and the avoidance of serious controversies. For both indicators, the data coverage is good to very good, the indicators offer good interpretability based on the data provided by MSCI ESG Research and are in line with MSC's sustainability strategy. The ESG Investment Minimum Standards exclude companies with serious controversies and countries with violations of social standards from the investment universe. In this respect, the integration and application of the ESG Investment Minimum Standards in the investment process takes into account and thus reduces negative impacts.

For some indicators, the data quality is not sufficient to derive specific strategies to combat negative effects. One indicator of the size of the resulting margins of error is the data coverage, which is shown in the "Explanation" column in the table above. This data coverage is calculated as the sum of the respective investments in companies or countries with data points available at MSCI ESG Research divided by the sum of all investments in companies or countries. The margins of error are higher when the data coverage is lower and vice versa.

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 Research uses estimated data to a limited extent, for example in relation to greenhouse gas or CO_2 emissions. As coverage and methodologies change and evolve, the proportion of estimated data cannot be relied upon and is not verified by MSC.

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

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

Participation policy

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 investment 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.

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.

Furthermore, MSC does not follow a code of responsible corporate governance or internationally recognized standards for due diligence and reporting and does not explicitly align its sustainability goals with the goals of the Paris Agreement in accordance with Article 9 (1) of Regulation (EU) 2022/1288. MSC does not consider an explicit climate scenario in accordance with Article 9, para. 2 c) and d) of Regulation (EU) 2022/1288. We take extensive measures to reduce the carbon footprint of the portfolios by applying the ESG Investment Minimum Standards, which makes orientation towards an explicit climate scenario unnecessary.

Historical comparison

Compared to the previous year (2022), a significant improvement was achieved overall across all disclosed indicators on the principle adverse impacts of investment decisions on sustainability factors. Of the total of 19 disclosed indicators (16 mandatory and 3 voluntary indicators), eleven have improved and four have deteriorated. For the remaining four 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-weighted investments in companies with increased greenhouse gas emissions (bonds issued by Heidelberg Materials and RWE, whereby the investment in RWE is a green bond) and
- higher data coverage in relation to PAI 3 than in the previous year (increase from around 91% to around 96%).

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, whereby the investment in RWE is a so-called green bond).

Overview of the changes

Pursuant to Art. 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
30.06.2023	First publication of the statement on the main adverse impacts of investment decisions on sustainability factors for the 2022 financial year
30.06.2024	Update of the statement on the main adverse effects of investment decisions on sustainability factors for the 2023 financial year, including recalculation of the 2022 effects due to adjusted calculation bases
23.09.2024	Integration of additional information in the sections "Summary", "Description of strategies for identifying and weighting the main adverse impacts on sustainability factors" and "Reference to internationally recognized standards"
23.09.2024	Updating the "Participation policy" section
23.09.2024	Inclusion of data coverage for the previous year for the purpose of comparability
23.09.2024	Change in the calculation for the percentage disclosure for PAI No. 16 "Invested countries that violate social provisions" (old: division by investable countries / new: division by invested countries)
23.09.2024	Breakdown of PAI No. 6 by climate-intensive sectors

Appendix

Compared to the preparation of the statement on the main adverse impacts of investment decisions on sustainability factors of the previous year (2022), it was decided to adjust the calculation bases for the current reference period. This results in the following changes for the calculations by MSC:

- 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.

As a result of these changes, the main adverse impacts of investment decisions on sustainability factors for 2022 have been recalculated based on the new calculation principles and the updated values have been published in the tables above to ensure better comparability of the values for 2022 and 2023. In addition, calculation errors in PAIs 8 and 9 and data coverage have been eliminated and the data coverage calculations have been supplemented to include investments for which no data is available from MSCI ESG Research.

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

PAI Indicator	Description	2022 new		2022 old		Unit
		Impact	Data Coverage	Impact	Data Coverage	
PAI 1	Scope 1 GHG emissions companies	7.230,51	94%	7.577,86	85%	tons CO_2e
	Scope 2 GHG emissions companies	1.939,96	94%	2.010,60	85%	tons CO2e
	Scope 3 GHG emissions companies	63.624,28	94%	65.916,19	85%	tons CO2e
	Scope 123 GHG emissions companies	72.794,75	94%	75.554,86	85%	tons CO2e
PAI 2	CO_2 footprint	398,30	94%	251,27	85%	tons CO_2e / million Euro
PAI 3	GHG emission intensity companies	694,17	91%	467,51	92%	tons CO_2e / million Euro turnover
PAI 4	Share of companies fossil fuels	11,90	94%	11,69	99%	percent
PAI 5	Share of nonrenewable energy sources	65,45	91%	70,04	92%	percent
PAI 6	Energy consumption climate-intensive sectors	3,16	91%	3,66	90%	GWh / million Euro turnover
PAI 7	Biodiversity	5,01	94%	4,87	99%	percent
PAI 8	Water emissions	11,06	18%	176,71	79%	tons / million invested Euro
PAI 9	Hazardous waste	18.238,99	60%	2,48	94%	tons / million invested Euro
PAI 10	Violations UNGC	0,32	94%	0,32	99%	percent
PAI 11	Lack of compliance UNGC, OECD	37,70	94%	39,54	99%	percent
PAI 12	Gender pay gap	6,57	52%	13,10	52%	percent
PAI 13	Gender diversity management board	32,46	88%	36,83	87%	percent
PAI 14	Controversial weapons	0,03	94%	0,03	99%	percent
PAI 15	GHG emission intensity countries	212,49	77%	79,09	93%	tons CO_2e / million Euro GDP
PAI 16	Countries violating social regulations	6,00	84%	8,00	99%	countries
Voluntary	Deforestation companies	57,63	62%	88,67	98%	percent
	Lack of human rights policy companies	5,26	62%	8,53	98%	percent
	Avg. performance human rights countries	0,57	76%	0,75	99%	points