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
LEI: 529900CK14SGH0EXOB27

Summary

Marcard, Stein & Co AG (hereinafter "MSC" / LEI: 529900CK14SGH0EXOB27) considers the principal adverse impacts of its investment decisions on sustainability factors within the scope of financial portfolio management. 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 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 banned 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 the group-wide ESG Investment Minimum Standards are carried out monthly.

The aggregation of PAI data for MSC depends on the particular product range managed by MSC. 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

Indicators for investments in companies in which investments are made							
Sustainability indicator for adverse impacts		Measured variable	Effects for the year 2024	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 environment-related indicators							
Green-house gas emissions	1. GHG emissions	Scope-1-Greenhouse gas emissions	21.441,39 tons CO_2e	26.041,02 tons CO_2e	7.230,51 tons CO_2e	Data coverage 96% (PY: 91%) The significantly higher figures compared to 2023 are mainly due to greater data coverage and a significantly higher investment volume in companies (2024: average of EUR 287 million vs. 2023: average of EUR 197 million) and are not reflected in a higher carbon footprint.	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.
		Scope-2-Greenhouse gas emissions	3.671,15 tons CO_2e	3.264,18 tons CO_2e	1.939,96 tons CO_2e		
		Scope-3-Greenhouse gas emissions	100.877,82 tons CO_2e	65.225,88 tons CO_2e	63.624,28 tons CO_2e		
		GHG emissions in total	125.990,37 tons CO_2e	94.531,08 tons CO_2e	72.794,75 tons CO_2e		
	2. CO_2-footprint	CO_2-footprint	457,22 tons CO_2e / Mio. Euro	484,21 tons CO_2e / Mio. Euro	398,30 tons CO_2e / Mio. Euro		
	3. GHG emission intensity of the companies in which investments are made	GHG emission intensity of the companies in which investments are made	896,92 tons CO_2e / Mio. Euro turnover	836,01 tons CO_2e / Mio. Euro turnover	694,17 tons CO_2e / Mio. Euro turnover	Data coverage 100% (PY: 96%) Explanation of the increased value analogous to PAIs 1 and 2 as well as due to higher data coverage	
	4. Involvement in companies operating in the fossil fuels sector	Proportion of investments in companies operating in the fossil fuel sector	8,30 percent	9,63 percent	11,90 percent	Data coverage 100% (PY: 98%)	
	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	58,42 percent	55,80 percent	65,45 percent	Data coverage 94% (PY: 85%) Data is reported as a combined figure that includes the share of non-renewable energy consumed and the share of non-renewable energy produced	
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	0,02 GWh / Mio. Euro turnover	0,02 GWh / Mio. Euro turnover	3,16 GWh / Mio. Euro turnover	Data coverage 87% (PY: 91%) NACE Code A: Agriculture, forestry and fishing	
			0,81 GWh / Mio. Euro turnover	0,40 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	
			0,33 GWh / Mio. Euro turnover	0,42 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code C: Manufacturing industry	
			0,71 GWh / Mio. Euro turnover	0,83 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code D: Electricity, gas, steam and air conditioning supply	
			0,30 GWh / Mio. Euro turnover	0,59 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code E: Water supply; sewerage, waste and remediation activities	
			0,03 GWh / Mio. Euro turnover	0,03 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code F: Construction	
			0,09 GWh / Mio. Euro turnover	0,07 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code G: Wholesale and retail trade; repair of motor vehicles and motorcycles	
			0,38 GWh / Mio. Euro turnover	0,38 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code H: Transportation and storage	
			0,15 GWh / Mio. Euro turnover	0,12 GWh / Mio. Euro turnover		Data coverage 87% (PY: 91%) NACE Code L: Real estate activities	

Indicators for investments in companies in which investments are made							
Sustainability indicator for adverse impacts		Measured variable	Effects for the year 2024	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	6,60 percent	6,54 percent	5,01 percent	Data coverage 100% (PY: 98%) The slight increase can be explained, among other things, by the slightly 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	1,59 tons / million Euro invested	6,19 tons / million Euro invested	11,06 tons / million Euro invested	Data coverage 29% (PY: 24%)	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	12.413,78 tons / million Euro invested	17.305,07 tons / million Euro invested	18.238,99 tons / million Euro invested	Data coverage 91% (PY: 59%)	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	0,01 percent	0,10 percent	0,32 percent	Data coverage 100% (PY: 98%) The figure of 0.01% 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	0,46 percent	32,53 percent	37,70 percent	Data coverage 100% (PY: 94%)	Disclosure and ongoing review

Indicators for investments in companies in which investments are made							
Sustainability indicator for adverse impacts		Measured variable	Effects for the year 2024	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	12. Unadjusted gender pay gap	Average unadjusted gender pay gap for the companies in which investments are made	9,09 percent	6,81 percent	6,57 percent	Data coverage 76% (PY: 52%) The significant increase can be explained primarily by the significent higher data Coverage.	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	34,38 percent	35,63 percent	32,46 percent	Data coverage 97% (PY: 94%)	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	0,06 percent	0,03 percent	0,03 percent	Data coverage 100% (PY: 98%) The figure of 0.06% 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 the field of banned[1] weapons are excluded. The definition of the latter is based on the "ESG Target Market Concept"[2] published on December 13, 2024, by the German Banking Industry Committee (DK) in cooperation with the German Investmant Funds Association (BVI) and the German Association for structured securities (BSW) under the title "Supplement to the target market with information on sustainability-related objectives and sustainability factors".

Indicators for investments in states and supranational organizations							
Sustainability indicator for adverse impacts		Measured variable	Effects for the year 2024	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	205,53 tons CO_2e / million Euro GDP	219,97 tons CO_2e / million Euro GDP	212,49 tons CO_2e / million Euro GDP	Data coverage 99% (PY: 87%)	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)	2 countries	3 countries	6 countries	Data coverage 99% (PY: 87%) 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 which invests in 37 countries.	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"
			5,41 percent	6,25 percent	12,5 percent		

[1]Nuclear weapons manufacturers from NATO member countries remain investable.
[2]Weapons covered by the convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and on their destruction ("Ottawa convention"), the convention on the prohibition of cluster munitions ("Oslo convention") and B and C weapons covered by the relevant UN conventions (UN BWC and UN CWC), see definition in Art. 12(1) DelVO 2020/1818 and list of controversial weapons in annex I table 1 No. 14 DelVO 2022/1288.

Indicators for investments in real estate							
Sustainability indicator for adverse impacts		Measured variable	Effects for the year 2024	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	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	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 2024	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							
Water, waste and emissions of materials	15. Deforestation	Share of investments in companies without strategies to combat deforestation	48,86 percent	61,05 percent	57,63 percent	Data coverage 72% (PY: 68%)	Disclosure and ongoing review
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 2024	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	9. Lack of human rights policy	Proportion of investments in companies without a human rights policy	0,70 percent	3,61 percent	5,26 percent	Data coverage 72% (PY: 68%)	Disclosure and ongoing review
Indicators for investments in states and supranational organizations							
Human rights	20. 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"	0,78 points	0,68 points	0,57 points	Data coverage 99% (PY: 87%) 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

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.

The process for selecting or excluding certain securities and creating a global exclusion list is divided into a quantitative area, in which the database of the service provider MSCI ESG Research (with ratings on over 990,000 securities) is accessed, 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 banned weapons (anti-personnel mines, cluster munitions, chemical and biological 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 banned 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 will 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 operationalized by the introduction of the group-wide ESG Investment Minimum Standards and resolved by the partners of M.M.Warburg & CO on 01.06.2021. 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.

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 the greatest likelihood of potentially serious and irreversible environmental and climate damage could occur.

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 its 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. MSC takes 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 (2023), there was a significant improvement overall in the average score for all disclosed indicators relating to the most significant adverse impacts of investment decisions on sustainability factors. Of the total of 19 disclosed indicators (16 mandatory and three voluntary), eleven improved and three deteriorated. The remaining five indicators showed only minor changes, both upward and downward.

The three PAIs that have deteriorated are greenhouse gas emissions (PAI 1), the unadjusted gender pay gap (PAI 12), and involvement in controversial weapons (PAI 14).

In terms of greenhouse gas emissions (PAI 1), the sometimes significant increase in indicators is mainly due to the following factors:

- significantly higher investment volume in companies (average of EUR 287 million in 2024 compared to an average of EUR 197 million in 2023) and
- higher data coverage than in the previous year (increase from around 91% to around 96%).

The carbon footprint has even decreased significantly despite the rise in greenhouse gas emissions.

The increase in the unadjusted gender pay gap (PAI 12) is also primarily attributable to higher data coverage than in the previous year (increase from around 52% to around 76%).

The increased exposure to controversial weapons (PAI 14) is exclusively attributable to corresponding investments within the invested ETFs/funds, which have increased worldwide in the wake of heightened geopolitical uncertainties. At the level of the individual companies in which we invest, this figure remains at 0.00%.

Compared with the average values for the last three years (2022 to 2024), the current values are below the respective average for twelve of the 19 indicators and above it for five (PAI 1 GHG emissions, PAI 3 GHG emissions intensity of companies, PAI 7 Activities that adversely affect areas with vulnerable biodiversity, PAI 12 Unadjusted gender pay gap, PAI 14 Involvement in controversial weapons). For the remaining two indicators, the current value is at the level of the three-year average.

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	Version
30.06.2023	First publication of the statement on the main adverse impacts of investment decisions on sustainability factors for the 2022 financial year	V01
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	V02
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"	V02
23.09.2024	Updating the "Participation policy" section	V02
23.09.2024	Inclusion of data coverage for the previous year for the purpose of comparability	V02
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)	V02
23.09.2024	Breakdown of PAI No. 6 by climate-intensive sectors	V02
30.06.2025	Update of the statement on the principal adverse impacts of investment decisions on sustainability factors for the 2024 financial year	V03