



Sustainability-related disclosures pursuant to Regulation (EU) 2019/2088 (“SFDR”)

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Maerki Baumann & Co. AG („**MBC**”) is a Swiss private bank with its registered seat in Zurich. MBC both qualifies as a financial market participant (providing portfolio management services) as well as a financial advisor (providing investment advice) under the definitions of the SFDR. Furthermore, the portfolio management services offered by MBC constitute in form of the modular investment solution a financial product within the meaning of the SFDR.

1.1 Summary

As part of its portfolio management services, MBC offers its clients a module-based approach known as ‘modular investment solution’. Clients may choose from a selection of modules with specific focus. Each module bundles financial instruments that correspond to the module's focus and that have been previously selected by MBC. As a result, the investment process is facilitated for clients, which only determine the desired focus of their investment activity, while the selection of specific securities as well as the ongoing monitoring of the composition is carried out by MBC. In total, MBC offers 25 modules. The exact composition of the financial instruments in the modules depends on the respective module. Hence, equities, corporate and convertible bonds, collective investment undertakings and government bonds may be included. This document on “Sustainability-related disclosures” refers to 21 of the 25 modules, all of which promote environmental and / or social characteristics and therefore qualify as products according to Article 8 of the SFDR. Due to lack of reliable data at this point of time, only the modules cryptocurrencies, commodities, private equity and venture capital are excluded.

The different modules are a financial product, which promotes environmental or social characteristics, but do not have a sustainable investment as its objective. They have not designated a reference benchmark for the purpose of attaining the environmental and social characteristics that it promotes and engagement is not part of its investment strategy. However, in order to attain the environmental and social characteristics, the 21 modules apply the following ESG framework:

- exclusion approach,
- ESG-Integration (Implied Temperature Rise, ESG-Ratings), and
- invest in securities that fulfill the relevant ESG-criteria.

The binding elements of the investment strategy used to select the investments to achieve the E/S characteristics promoted are as follows:

- The modules exclude securities of corporate issuers, sovereigns and collective investments that obtain a non-negligible part of their revenues from excluded products and/or activities listed below.



- The modules invest in securities of corporate issuers, sovereigns and collective investments that pass the minimum MSCI ESG-Rating that has been set for these modules (ESG score of BB).
- The modules have to achieve a volume-weighted Implied Temperature Rise of $\leq 2.5^{\circ}\text{C}$.
- The modules have to achieve a volume-weighted ESG-Rating of $\geq \text{A}$.

1.2 No sustainable investment objective

The following financial products promote environmental or social characteristics, but do not have as their objective sustainable investment.

- Basic module (Conservative, Balanced, Dynamic)
- Bank strategy module (Conservative, Balanced, Dynamic)
- Fund-based module (Conservative, Balanced, Dynamic)
- Module “Equities Switzerland”
- Module “Small & Mid Caps Switzerland”
- Module “Equities Eurozone”
- Module “Equities Germany”
- Module “Equities USA”
- Module “Equities Global Dividend”
- Module “Bonds (ETF) CHF”
- Module “Bonds (ETF) EUR”
- Module “Bonds (ETF) USD”
- Module “Bonds CHF”
- Module “Bonds EUR”
- Module “Bonds USD”

1.3 Environmental or social characteristics of the financial product

The following modules promote environmental or social characteristics and invest in issuers that fulfil the relevant ESG-criteria.

- Basic module (Conservative, Balanced, Dynamic)
- Bank strategy module (Conservative, Balanced, Dynamic)
- Fund-based module (Conservative, Balanced, Dynamic)
- Module “Equities Switzerland”
- Module “Small & Mid Caps Switzerland”
- Module “Equities Eurozone”
- Module “Equities Germany”
- Module “Equities USA”
- Module “Equities Global Dividend”



- Module “Bonds (ETF) CHF”
- Module “Bonds (ETF) EUR”
- Module “Bonds (ETF) USD”
- Module “Bonds CHF”
- Module “Bonds EUR”
- Module “Bonds USD”

1.4 Investment Strategy

In order to attain the environmental and social characteristics, the modules apply the following ESG framework:

- exclusion approach,
- ESG-Integration (Implied Temperature Rise, ESG-Ratings), and
- invest in securities that fulfill the relevant ESG-criteria.

(1) Exclusion approach

- The modules exclude
 - securities of corporate issuers involved in products and activities related to: svvk-asir exclusion list, controversial weapons (0 %), nuclear weapons (0 %¹), conventional weapons (10 %), United Nations Global Compact principles (fail), International Labour Organization’s set of labor standards (fail), thermal coal (5 %), unconventional oil and gas (25 %), producer of adult entertainment (0 %). The percentage indicated reflect the revenue thresholds applied related to the production of such products and/or activities.
 - collective investments involved in products and activities related to: controversial weapons (5 %), nuclear weapons (10 %), conventional weapons (10 %), United Nations Global Compact principles (5 %), International Labour Organization’s set of labor standards (5 %), thermal coal (5 %), producer of adult entertainment (0 %). The percentage indicated reflects the portfolio’s market value thresholds applied.
 - sovereigns that are categorized as “Not Free” by Freedom House, do not support the Paris Agreement or that are sanctioned by the EU or the UN.
- The modules invest in securities that pass the minimum ESG Rating (minimum is set at BB, on a scale from AAA to CCC, with AAA being the best, and CCC being the worst rating), which is provided by a third-party ESG data provider selected by the Investment Manager, namely MSCI ESG. ESG-Ratings evaluates sector-specific environmental, social and governance criteria. The criteria refer to companies’ actions and performance in relation to environmental protection in production, environmental product design, em-

¹ Corporates from countries that are not signatory to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT).



employee relations, environmental and social supply chain standards and management systems. The ESG model scores companies relative to the other companies in the related industry. For sovereigns the rating indicating the overall environmental, social, and governance (ESG) performance of a region. Regions with low risk exposure and strong management of ESG risk factors score highest (AAA); regions with high-risk exposure and weak management of ESG risk factors score lowest (CCC). Ratings are based on a seven-letter scale: (Rating: AAA-CCC).

(2) ESG-Integration: Implied Temperature Rise

The modules have to achieve a volume-weighted Implied Temperature Rise of $\leq 2.5^{\circ}\text{C}$. The volume-weighted Implied Temperature Rise requirements are continuously being reduced over time.

(3) ESG-Integration: ESG-Rating

The modules have to achieve a volume-weighted ESG-Rating of $\geq A$.

(4) Binding elements

The binding elements of the investment strategy used to select the investments to achieve the E/S characteristics promoted are as follows:

- The modules exclude securities of corporate issuers, sovereigns and collective investments that obtain a non-negligible part of their revenues from excluded products and/or activities listed above.
- The modules invest in securities of corporate issuers, sovereigns and collective investments that pass the minimum MSCI ESG-Rating that has been set for these modules (ESG-Rating of BB).
- The modules have to achieve a volume-weighted Implied Temperature Rise of $\leq 2.5^{\circ}\text{C}$.
- The modules have to achieve a volume-weighted ESG-Rating of $\geq A$.

(5) Assessment of good governance practices of the investee companies

The Investment Manager will assess investee companies' good governance practices based on data provided by MSCI ESG, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance, by applying exclusion criteria. The modules exclude companies, which violate the United Nations Global Principles and/or the International Labour Organization's set of labor standards as well as companies that are categorized as laggards (ESG-Rating of B or CCC).



1.5 Proportion of investments

| Investments | % of the modules | Type of exposures |
|---|------------------|--|
| #1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product. | 75 % | Direct Investments or Collective Investments |
| #2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments. | 25 % | Direct Investments or Collective Investments |

#2 Other: The modules may hold liquidity and/or uses financial derivative instruments for hedging. These instruments are not expected to detrimentally affect the environmental and social characteristics; therefore, no minimum environmental or social safeguards are applied. Additionally the modules may include so-called unscreened investments for which ESG data is lacking.

1.6 Monitoring of environmental or social characteristics

Sustainability indicators

- Percentage of the modules that is invested in securities of corporate issuers, sovereigns and collective investments that obtain a certain percentage of their revenues from products and/or activities excluded by the modules.
- Percentage of the modules that is invested in securities of corporate issuers, sovereigns and collective investments that pass the minimum MSCI ESG-Rating of BB.
- Volume-weighted Implied Temperature Rise in °C of the modules
- Volume-weighted ESG-Rating of the modules

The relevant information for the exclusion and ESG-Integration criteria as well as the volume-weighted Implied Temperature Rise and ESG-Rating are being reviewed on a regular basis.

If a security does no longer comply with the binding criteria, the Investment Management divests from the corresponding security.

If the modules do no longer comply with the minimum volume-weighted ESG-Rating of A, the Investment Management has to change the portfolio allocation and/or has to divest from securities with low ESG-Ratings.

If the modules do not longer comply with the minimum volume-weighted ITR of 2.5°C, the Investment Management has to change the portfolio allocation and/or has to divest from securities with higher Implied Temperature Rise.



No later than three months after any non-compliance was identified, the Investment Management divest from the corresponding issuer, considering market conditions and the client's best interest without losing focus on the fact that the binding elements have to be fulfilled again. In exceptional cases and in the client's best interest, the Investment Management has the possibility to postpone the divestment.

The compliance of the modules with the binding elements is monitored by the Investment Management.

The independent Investment Control team conducts a daily post-trade review of portfolios using our portfolio management and monitoring system. The pre- and post-trade checks are parametrized either based on data retained directly from third-party ESG data provider or from the Investment Manager directly, especially where the followed approaches are based on proprietary methodologies of the Investment Manager.

1.7 Methodologies for environmental or social characteristics

- Exclusion approach: The Investment Management analyse an issuer's or collective investment's exposure to activities and/or products, which are excluded by the modules by data from a third party data provider. Only securities that do not break any of these exclusion criteria can be considered as investable.
- Minimum Rating: The Investment Management analyse an issuer's and collective investment's ESG-Rating by data from a third party data provider. Only securities with a minimum ESG-Rating of BB can be considered as investable.
- ESG-Integration Implied Temperature Rise: The Investment Management analyses an issuer's Implied Temperature Rise by data from a third party data provider. The modules have to achieve a volume-weighted Implied Temperature Rise of $\leq 2.5^{\circ}\text{C}$.
- ESG-Integration ESG-Rating: The Investment Management analyses an issuer's ESG-Rating by data from a third party data provider. The modules have to achieve a volume-weighted ESG-Rating of $\geq A$.

1.8 Data sources and processing

- The relevant ESG criteria for the exclusion and ESG-Integration approach are obtained from a third party data provider – namely MSCI ESG.
- In order to ensure data quality, all relevant ESG criteria are critically scrutinized and regularly reviewed by the Investment Management team.
- The external third party data provider may use estimates, when data is lacking.



1.9 Limitations to methodologies and data

MBC has built up significant knowledge and experience in the area of sustainable finance. If MBC suspects that companies or sovereigns included in the modular investment solution are or become active in an area included in the investment exclusions or the relevant ESG-Integration criteria are not fulfilled, MBC can and will verify such irregularities at any time based on publicly available information.

1.10 Due diligence

Only securities respectively the corresponding corporate issuers that are compliance with the binding elements are investable. The compliance has to be ensured by the Investment Management team.

The Investment Management can check all criteria itself to ensure that any security they want to purchase effectively meets the requirements.

1.11 Engagement policies

Engagement is not part of the environmental or social investment strategy of the modular investment solution. However, as the clients are mainly direct shareholders, the modular investment solution enables the clients to actively engage and conduct dialogues with investee companies, exercise-voting rights and other rights attached to their financial instruments, cooperate with other shareholders and communicate with relevant stakeholders of the respective companies.

1.12 Designated reference benchmark

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the modular investment solution.