Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant Lupus alpha Asset Management AG (LEI: 529900JRIM4CXFEUZK50) & Lupus alpha Investment GmbH (LEI: 529900LLSMQFUXDP9I10)
Summary Lupus alpha Asset Management AG (LEI: 529900JRIM4CXFEUZK50) and Lupus alpha Investment GmbH (LEI: 529900LLSMQFUXDP9I10) consider principal adverse impacts of their investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Lupus alpha Asset Management AG and Lupus alpha Investment GmbH, in which the indicators applicable to investments in investee companies, indicators applicable to investments in sovereigns and supranationals as well as other indicators refer exclusively to Lupus alpha Investment GmbH. This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022. As a matter of principle, we take into account or at least measure the indicators for adverse impacts of our investment decisions on sustainability factors that are mandatory according to the DISCLOSURE REGULATION (EU) 2022/1288 of April 6, 2022 in equities, corporate bonds, convertible bonds, government bonds and derivatives on single stocks. Due to the size of our operations, we measure in particular those indicators for which there is currently sufficient data availability (from our external data provider). We refrain from collecting more extensive data for cost/benefit reasons. Should the (public) availability of the data improve significantly, we will of course also collect it. When selecting sustainability factors, it is important in our view that all three dimensions of sustainability (environmental, social, governance) are sufficiently covered. For explicit consideration in the investment processes of our sustainable strategies, it is necessary that the required data are available for a large part of the investable universe. Otherwise, consistent integration into the investment decision is not possible.
Description of the principal adverse impacts on sustainability factors Information referred to in Article 6 in the format set out below

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [2022]**	**Impact [2021]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	104,760	N/A	Eligibility: 91% Coverage: 74%	See „Addendum to table“ on p. 10
		Scope 2 GHG emissions	37,365	N/A	Eligibility: 91% Coverage: 74%	See „Addendum to table“ on p. 10
		Scope 3 GHG emissions	890,518	N/A	Eligibility: 91% Coverage: 74%	See „Addendum to table“ on p. 10

		Total GHG emissions	1,032,749	N/A	Eligibility: 91% Coverage: 74%	See „Addendum to table“ on p. 10
	2. Carbon footprint	Carbon footprint	404	N/A	Eligibility: 91% Coverage: 73%	See „Addendum to table“ on p. 10
	3. GHG intensity of investee companies	GHG intensity of investee companies	736	N/A	Eligibility: 91% Coverage: 76%	See „Addendum to table“ on p. 10
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	4%	N/A	Eligibility: 91% Coverage: 79%	See „Addendum to table“ on p. 10
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-	Producer: 12% Consumer: 86%	N/A	Eligibility: 91% Coverage Producer: 1%	See „Addendum to table“ on p. 10

EN EN

		renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources			Coverage Consumer: 50%	
	6. Energy consumption intensity per	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	NACE A: 2.1 NACE B: 2.1 NACE C: 0.4 NACE D: 3.3 NACE E: 0.4 NACE F: 0.1 NACE G: 0.0 NACE H: 1.8 NACE L: 0.5	N/A	Eligibility: 91% Coverage: 61%	See „Addendum to table“ on p. 10
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.0%	N/A	Eligibility: 91% Coverage: 79%	See „Addendum to table“ on p. 10
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.1	N/A	Eligibility: 91% Coverage: 0% Due to the very low	See „Addendum to table“ on p. 10

					coverage, an evaluation / interpretation is only possible to a very limited extent.	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.6	N/A	Eligibility: 91% Coverage: 17% Due to the very low coverage, an evaluation / interpretation is only possible to a very limited extent.	See „Addendum to table“ on p. 10
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD	0%	N/A	Eligibility: 91% Coverage: 80%	See „Addendum to table“ on p. 10

	(OECD) Guidelines for Multinational Enterprisesfür multinationale Unternehmen	Guidelines for Multinational Enterprises				
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	46%	N/A	Eligibility: 91% Coverage: 74%	See „Addendum to table“ on p. 10
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12%	N/A	Eligibility: 91% Coverage: 9% Due to the very low coverage, an evaluation / interpretation is only	See „Addendum to table“ on p. 10

					possible to a very limited extent.	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	35%	N/A	Eligibility: 91% Coverage: 79%	See „Addendum to table“ on p. 10
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.0%	N/A	Eligibility: 91% Coverage: 79%	See „Addendum to table“ on p. 10
Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		**Metric**	**Impact [2022]**	**Impact [2021]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Environmental	15. GHG intensity	GHG intensity of investee countries	222	N/A	Eligibility: 4% Coverage: 100% Due to the very low	See „Addendum to table“ on p. 10

					eligibility, an evaluation / interpretation is only possible to a very limited extent. The low eligibility results from the fact that we only allocate a very small proportion of government bonds in individual funds.	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0 / 0.0%	N/A	Eligibility: 4% Coverage: 100% Due to the very low eligibility, an evaluation / interpretation is only possible to a very limited extent. The	See „Addendum to table“ on p. 10

					low eligibility results from the fact that we only allocate a very small proportion of government bonds in individual funds.	
Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		**Metric**	**Impact [2022]**	**Impact [2021]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A	N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	N/A
Other indicators for principal adverse impacts on sustainability factors						

Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	39%	N/A	Eligibility: 91% Coverage: 79%	See „Addendum to table“ on p. 10
Anti-corruption and anti-bribery	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery	1%	N/A	Eligibility: 91% Coverage: 79%	See „Addendum to table“ on p. 10

* The effects, coverage and eligibility presented relate to the assets managed by Lupus alpha Investment GmbH.

<u>Addendum to table: Actions taken, and actions planned and targets set for the next reference period:</u>

This year, we have created the prerequisite for measurability and for monitoring the principal adverse impacts of our investment decisions on sustainability factors (PAIs). The goal for next year is to monitor the development of the individual PAIs, to be able to understand the reasons for the change in the indicators and, if necessary, to identify suitable measures from this to reduce the negative impact on the individual sustainability indicators of the investments of Lupus alpha Investment GmbH. In the explicitly sustainable investment strategies of Lupus alpha Investment GmbH, PAIs from the areas E (emissions, biodiversity), S (UN Global Compact, controversial weapons) and G (diversity on the supervisory board, corruption) are taken into account in a binding manner when making investment decisions. This selection is based on the one hand on the three dimensions for sustainability (environmental, social and governance) and on the other hand on sufficient and high-quality data availability. In accordance with the proportionality principle, we have deliberately chosen this selection in order to be able to integrate it into the investment decision efficiently and thus also in the interests of the investor.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The measurement and identification of the principal adverse impacts on sustainability factors are identical for all our strategies. For the sustainable strategies of Lupus alpha Investment GmbH, the consideration takes place in the investment process as well as in the risk management. For strategies of Lupus alpha Asset Management AG and Lupus alpha Invesment GmbH that are not explicitly sustainable, the consideration is limited to risk management.

We measure and take into account all mandatory PAIs as well as the optional PAIs "Investments in companies without carbon emission reduction initiatives" and "Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery" for stocks, corporate, convertible and government bonds as well as derivatives on individual stocks. We chose the additional environmental/climate factor because it is directly related to the PAI "Carbon footprint", which is very important in our view, and gives an initial impression of the extent to which a company is prepared to improve in this area. We chose the additional social indicator because, since Lupus alpha was founded, good corporate governance has been a key focus when considering potential investments. Poor handling of corruption and bribery is a clear warning signal regarding poor governance.

The availability and reliability of the data on the PAIs plays a decisive role in the weighting. As shown by the table in the "Explanation" column, the coverage for some PAIs is in the low single-digit percentage range. This makes consistent consideration impossible. Accordingly, when considering PAIs, we place a significantly higher weight on those factors that have a corresponding data availability and quality. For example, we weigh CO2 emissions and the CO2 footprint higher than, for example, water emissions, as measurement and calculation or estimation (e.g. using complex models) are much more advanced in the area of CO2. In addition to the availability and quality of the data, the relevance for the investment/company under consideration also plays an important role in the weighting. At Lupus alpha, sustainability is always considered from the bottom up. This means that we first evaluate the individual positions in the fund (such as equities) in terms of their negative sustainable impacts before looking at aggregated ESG metrics at portfolio level or subsequently at company level. For example, there are PAIs that are significantly more significant for some industries than for others. We also consider this approach to be useful because comparability is often not possible with a top-down approach. For example, in a pure portfolio view, one would find that companies in CO2-intensive sectors (e.g. utilities or steel producers) in the portfolio are responsible for a very large share of the total carbon footprint. However, one would not be able to determine whether these companies have a comparatively high or low carbon footprint within their industry. Looking through to the individual investment/company is therefore of great importance when considering and weighting the main adverse impacts on sustainability factors.

The strategy for identifying and weighting the principal adverse impacts on sustainability factors is applied to the assets contained in a fund, such as equities, convertible bonds, bonds (corporate and sovereign), and derivatives on individual stocks (index derivatives are not taken into account due to the low materiality of the individual index components and the lack of influence on the composition). Derivatives are included in the aggregated analysis on a delta-weighted basis. For those asset classes where we have no or insufficient data on PAIs, PAIs are not included due to lack of measurability. For asset classes where there is sufficient data availability, a margin of error is nevertheless to be expected. This cannot be completely ruled out despite regular quality checks.

The underlying data source for this statement is MSCI ESG Research. As we identify data errors in regular consistency and quality checks, we have the possibility to correct the database with internally generated or researched data. We also supplement data for companies not covered by MSCI if we are able to obtain this data, for example, through direct contact with the companies. When correcting and supplementing data, we follow the "best effort" approach. Where we have direct contact with the company (e.g. in our Small & Mid Cap strategies), we also regularly discuss ESG data, or request it using questionnaires. However, the margin of error described above as well as potential data gaps exist despite all efforts.

Engagement policies

Constructive dialog with the companies in which we invest is an essential part of our investment processes. Our Small & Mid Cap team completes more than 1,500 company interviews each year. Our aim is to bring relevant ESG issues to the attention of the companies and to motivate them in order to address the relevant risks and initiate positive developments. Governance issues traditionally play a particularly important role here. In addition, we exercise our voting rights in the funds we manage as a capital management company, taking into account costs and benefits, at least for those positions in which we hold voting rights of more than 1%. In this way, we aim to promote sustainable corporate development of the portfolio companies.

Voting rights are generally exercised for positions above a certain threshold (taking into account costs and expected benefits) in order to promote sustainable corporate development of the portfolio companies. Voting rights for assets below the thresholds are only exercised when critical agenda items or decisions with a significant impact on corporate governance or business policy are put to the vote. Close contact between our portfolio managers and the portfolio companies allows potential concerns to be discussed with the companies at an early stage. Concerns and agenda items at annual general meetings are thus often addressed and discussed before the vote.

Our principles for exercising voting rights can be found here:

https://www.lupusalpha.com/esg/#publications

Prior to each AGM vote on shareholdings above the threshold described above, agenda items are also subjected to a thorough analysis and reviewed with the help of our voting rights philosophy. In addition, Lupus alpha receives independent analyses of agenda items from one of the leading external research providers in this field. These analyses and recommendations are then reviewed by Lupus alpha and are incorporated into the voting decision-making process. However, the final voting decision remains entirely at the discretion of Lupus alpha at all times. Due to our close contact with companies, Lupus alpha may also deviate from the guidelines described below in exceptional cases, provided that the company can credibly assure us that it has addressed any concerns or that it will comply with the request in a timely and binding manner.

On a case-by-case basis, we also work with other investors on corporate engagement in order to exert greater influence. In general, however, our goal is to address the important ESG issues upfront, i.e. in the regular company meetings, to initiate changes in the dialog and thus achieve the best possible results together with the companies. In our sustainable small & mid cap strategies, we have implemented a formal engagement process regarding adverse impacts of CO_2 emissions and lack of diversity in supervisory boards, aiming at a successful transition of the companies. If the agreed or desired improvement does not occur in the medium term, we intensify our engagement efforts. If the improvement does not materialize in the long term, we divest.

References to international standards

As the fiduciary manager of our clients' assets, our top priority is the long-term achievement of sustainable growth in the value of their investments. We implement our understanding of responsible investing throughout the organisation and at different levels of the investment process. Beyond the application of regulatory requirements, we are guided by the following leading national and international regulations:

- United Nations Principles for Responsible Investment (UN PRI): Signatories since 2015.
- Forum "Nachhaltige Geldanlagen" (FNG): Member since 2019.
- BVI Code of Conduct

In addition, for all our funds, companies related to controversial and nuclear weapons are excluded. We are guided by the following national and international regulations, among others:

- The Oslo Convention on Cluster Munitions
- The Ottawa Anti-Personnel Mine Ban Convention

Detailed information on this can be found in our Responsible Investing Policy, which is available on our homepage:

https://www.lupusalpha.com/esg/#publications

These sets of rules serve as a benchmark for decisions and derive the most significant adverse sources of impact on sustainability for us. Our commitment applies to all funds we manage ourselves. In the case of mandates from professional investors that are awarded to us with individual investment guidelines, we strive to also take the principles and processes described here into account to the greatest extent possible.

A forward-looking climate scenario is not applied at company level. At portfolio and individual share level, we consider in internal reports the implied temperature rise that would be caused by the portfolio or the individual target companies under certain model assumptions. However, we do not actively manage our portfolio according to these assumptions at present. This is not due to a lack of relevance of future-oriented climate scenarios, but to the fact that in our view the available models are either not yet mature or can only be applied in their most complex form.

Historical comparison

A historical comparison is not possible this year, since the initial measurement was made this year (2022).

Date	Version	Description
30.06.2023	1.0	Publication of the PAI Statement for Lupus alpha Asset Management AG and Lupus alpha Investment GmbH.