

# ANNEX TO THE PROSPECTUS

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

<b>Product name:</b> Lupus alpha Smaller Euro Champions (the « subfund »)		<b>Legal entity identifier:</b> 529900LT6NXL4OKI2903	
<b>Environmental and/or social characteristics</b>			
<b>Does this financial product have a sustainable investment objective?</b>			
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> <b>Yes</b>		<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b>	
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: _%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: _%</b>		<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20 % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>	



**Sustainability indicators** measure how the environmental or social characteristics promoted by the

## What environmental and/or social characteristics are promoted by this financial product?

In implementing the strategy of the subfund, environmental and social standards are taken into account in varying weightings. Investments are made in quality companies (small & mid caps) excluding non-sustainable business models or compliance with minimum standards. ESG criteria are also integrated into the fundamental bottom-up analysis. For this purpose, the subfund is neither oriented to a reference value nor does it replicate a reference value.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***



financial product are attained.

All investable companies are classified according to environmental, social, ethical and governance criteria. The analysis includes social standards, environmental management, product portfolio and corporate governance. A comprehensive negative screening process excludes stocks that do not meet certain minimum standards. These apply to all securities (such as equities) and money market instruments in the portfolio:

#### **Environment**

- Mining of thermal coal > 5% revenue
- Power generation from thermal coal > 5% revenue
- 
- Unconventional oil and gas extraction methods (including oil sands, oil shale and fracking) > 0% of revenue

#### **Social**

- Violations of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. This assessment also includes:
- Violations of the UN Global Compact (UNGC)
- 
- Violations of ILO core labor standards in own company and supply chain and inadequate response/resolution of the company
- Violations of the UN Guiding Principles on Business and Human Rights (UNGP)

#### **Governance**

- Very serious, ongoing controversies for which the company is directly responsible  
Very serious, partially resolved controversies for which the company is directly responsible
- Violations of international corruption conventions and inadequate reaction/resolution of the company

#### **Ethics**

- Production/distribution/services of cluster munitions, anti-personnel mines and other controversial weapons
- 
- Production of tobacco > 5% revenue

### ● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

We commit ourselves to invest at least 20% of the subfund's assets in sustainable investments with environmental and/or social objectives. We consider an investment / a company to be sustainable if its products or its operational behavior are aligned or strongly aligned with at least one of the 17 Sustainable Development Goals (SDGs), and at the same time its products and operational behavior are not misaligned or strongly misaligned with any of the other SDGs.

The SDGs are an urgent call for action by all countries. In particular, they are political goals set by the United Nations to ensure sustainable development at the economic, social and environmental dimensions.

For more information, visit <https://sdgs.un.org/>. We apply MSCI ESG methodology when considering contributions to the SDGs. (Sustainable Impact



Metrics:<https://www.msci.com/esg-sustainable-impact-metrics>).

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

In addition to the aforementioned review to ensure that a company's products or operational behaviour do not conflict with any of the 17 SDGs, we analyse (1) extended exclusion criteria and (2) all relevant sources of adverse impact on sustainability factors (Principal Adverse Impact Indicators – PAIs), and we define specific criteria and thresholds (for details, see follow-up question).

The extended exclusion criteria include:

- Mining of coal for power generation > 1% of revenue
- Activities related to nuclear weapons (no tolerance limit)
- Production of military goods and related services (e.g. research) > 5% of revenue
- Production or sale of firearms and ammunition for civilian use > 5% of revenue
- Production and distribution of nuclear power and products and services for the nuclear power industry > 5% of revenue
- Tobacco production (no tolerance limit)
- Revenue from tobacco > 5%

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***How are the indicators for adverse impacts on sustainability factors taken into account?***

We consider the following ten mandatory PAIs for companies, including the associated criteria and thresholds. For numerical PAIs, we calculate the percentile within the IVA industry of the respective company.

PAI	Kriterium/ Schwellenwert
PAI 2: CO <sub>2</sub> -Fußabdruck	90%-Perzentil
PAI 3: THG-Emissionsintensität	90%-Perzentil
PAI 4: Engagement in Unternehmen, die im Bereich der fossilen Brennstoffe tätig sind	Ja
PAI 5: Anteil des Energieverbrauchs und der Energieerzeugung aus nicht erneuerbaren Energiequellen	90%-Perzentil
PAI 6: Intensität des Energieverbrauchs nach klimaintensiven Sektoren	90%-Perzentil
PAI 7: Tätigkeiten, die sich nachteilig auf Gebiete schutzbedürftiger Biodiversität auswirken	Ja
PAI 9: Anteil gefährlicher und radioaktiver Abfälle	90%-Perzentil
PAI 10: Verstöße gegen die UNGC-Grundsätze und gegen die Leitsätze der Organisation für wirtschaftliche Zusammenarbeit und Entwicklung (OECD) für multinationale Unternehmen	Ja
PAI 13: Geschlechtervielfalt in den Leitungs- und Kontrollorganen (durchschnittliches Verhältnis von Frauen zu Männern)	0%
PAI 14: Engagement in umstrittenen Waffen (Antipersonenminen, Streumunition, chemische und biologische Waffen)	Ja



Due to what remains inadequate data quality in some instances, non-sustainability is only determined in the event of two violations of the above-mentioned PAI criteria. This minimises the risk of companies being excluded due to potential data errors. However, for PAIs that we classify as particularly critical (e.g. involvement in controversial weapons), a more detailed assessment is performed in advance, in order to ensure exclusion in the event of a breach (see answer to the question "Are the main adverse impacts on sustainability factors taken into account for this financial product?" below).

When determining the relevant PAIs, we take into account potential overlaps (e.g. for PAI 1 and PAI 2), as well as the general availability of data on a PAI. The aim is not to penalise companies that provide data. However, the availability of data is continuously monitored and evaluated so that our approach can be adjusted promptly in the event of any changes.

As the sub-fund is an equity fund, PAIs for governments and supranational organisations, as well as real estate, are not taken into account.

***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

For the entire subfund (not only for the share of sustainable investments), we exclude companies that violate the OECD guidelines or the UNGC principles.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



**Does this financial product consider principal adverse impacts on sustainability factors?**



Yes:

The following adverse effects on sustainability factors (Principal Adverse Impact Indicators – PAIs) are subject to mandatory review for all securities and money market instruments:

**Environment**

- **Carbon footprint & carbon intensity**
- Activities negatively affecting **biodiversity**-sensitive areas



**Social**

- Violations of **UN Global Compact principles** and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Exposure to **controversial weapons** (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

**Governance**

- **Board gender diversity**
- Cases of insufficient action taken to address **breaches of standards of anti-corruption and anti-bribery**

If an investee company has principal adverse impacts on the sustainability factors mentioned, this generally leads to exclusion. However, in order to offer companies the opportunity to improve on certain factors over time ("transition") we start an engagement process with companies concerning

- **Carbon footprint & carbon intensity** (if both indicators are in the bottom quartile of corresponding IVA-industry).

or

- Insufficient **Board gender diversity** (no female board members)

We can only invest in the investee company if there are comprehensible plans for improving on these principal adverse impacts or if plans can be agreed on with the company in a direct dialogue. For these companies, we document the plans as well as the desired and implemented changes. If the desired targets are not met or if the company does not show the agreed willingness towards change, the position is sold as a last resort after several escalation levels.

The engagement process described above can only ever be applied to carbon-related PAIs or gender diversity in management and supervisory bodies. If an investee company requires engagement in both of these areas, we refrain from making an investment.

For the assessment of a sustainable investment, we take other PAIs into account (see question "How are the indicators for adverse impacts on sustainability factors taken into account?" above).

The aforementioned PAIs are reviewed with the help of our external research provider MSCI. Companies for which MSCI has not previously provided analysis are reviewed internally. Information provided by MSCI is also reviewed internally, as portfolio management usually has direct access to the management of the companies under review and can critically review this information. (The carbon footprint/intensity percentile of the issuers is calculated internally based on the MSCI carbon footprint/intensity data and the given IVA-industry.)

Information on the principal adverse impacts on sustainability factors is available in the fund's annual report.

☐

No



**What investment strategy does this financial product follow?**



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

*Lupus alpha Smaller Euro Champions* invests in the most promising small- and medium-size companies in Euroland. Based on a consistent bottom-up approach, we select companies which are leading players in their specific market niche and hold a considerable market share therein. These quality titles often feature outstanding returns. Investing in the small & mid cap area means to operate in information inefficient markets that are not exhausted. This is the source for potential high increases in value. Environmental, social and governance (ESG) criteria are applied in the implementation of the strategy.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

A comprehensive negative screening process excludes stocks that do not meet certain minimum standards. These apply to all securities (i.e. equities) and money market instruments in the portfolio:

**Environment**

- Mining of thermal coal > 5% revenue
- Power generation from thermal coal > 5% revenue
- Unconventional oil and gas extraction methods (incl. oil sands, oil shale & fracking) > 0% revenue

**Social**

- Violations of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. This assessment also includes:
- Violations of the UN Global Compact (UNGC)
- Violations of ILO core labor standards in own company and supply chain and inadequate response/resolution of the company
- Violations of the UN Guiding Principles on Business and Human Rights (UNGP)

**Governance**

- Very serious, ongoing controversies for which the company is directly responsible
- Very serious, partially closed controversies for which the company is directly responsible
- Violations of international corruption conventions and inadequate reaction/resolution of the company

**Ethics**

- Production/distribution/services of cluster munitions, anti-personnel mines and other controversial weapons
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- Production of tobacco > 5% revenue

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***



**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

### ● ***What is the policy to assess good governance practices of the investee companies?***

Constructive dialog with the companies in which we invest is an essential part of our investment processes. Our Small & Mid Cap team completes around 1,500 company meetings each year. Our aim is to bring relevant ESG issues to the attention of the companies and to influence them in order to address the relevant risks and initiate positive developments. Governance issues traditionally play a particularly important role here. This also includes employee compensation and tax compliance.

In addition, the following criteria lead to exclusion as part of a negative screening:

- Violations of international conventions on corruption and inadequate response/remediation by the company.
- Very serious, ongoing controversies for which the company is directly responsible
- Very serious, partially closed controversies for which the company is directly responsible
- Violations of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. This assessment also includes:
- Violations of the UN Global Compact (UNGC)
- 
- Violations of ILO core labor standards in own company and supply chain and inadequate response/resolution on the part of the company
- Violations of the UN Guiding Principles on Business and Human Rights (UNGP)

The proportion of sustainable investments in the portfolio is also subject to a minimum MSCI ESG rating of BB, as this confirms the company's ability to mitigate the most important ESG risks and meet the basic expectations of corporate governance in addition to the above criteria. This meets the special requirements placed on explicitly sustainable investments.



### **What is the asset allocation planned for this financial product?**

The following provisions apply to the asset allocation of Lupus alpha Smaller Euro Champions:

1. We undertake to screen all securities and money market instruments in the sub-fund according to the advertised environmental and social characteristics (#1 Focused on environmental or social characteristics).
2. We undertake to invest at least 20% of the sub-fund's assets in sustainable investments (#1A Sustainable investments).
3. From (2), the proportion of investments with other environmental or social characteristics must not exceed 80% (#1B Other environmental or social characteristics).
4. We do not commit to a minimum proportion of environmentally sustainable investments that do not comply with the EU taxonomy, nor to a minimum proportion of socially sustainable investments. However, these must add up to at least 20% in line with (2).



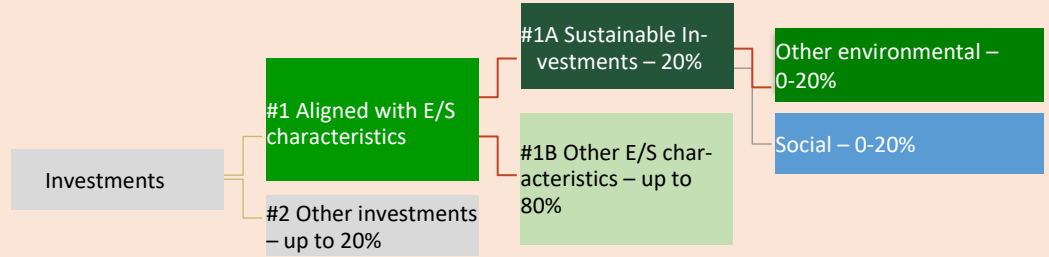
**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

**turnover** reflecting the share of revenue from green activities of investee companies.

**capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

**operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#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.

**#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.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

No environmental or social characteristics are achieved through the use of derivatives. In general, no derivatives are used to achieve the investment objectives.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The minimum share is 0%

**Does the financial product invest in EU taxonomy-compliant activities in the area of fossil gas and/or nuclear energy?<sup>3</sup>**

☐ Yes,

☐ In fossil Gas

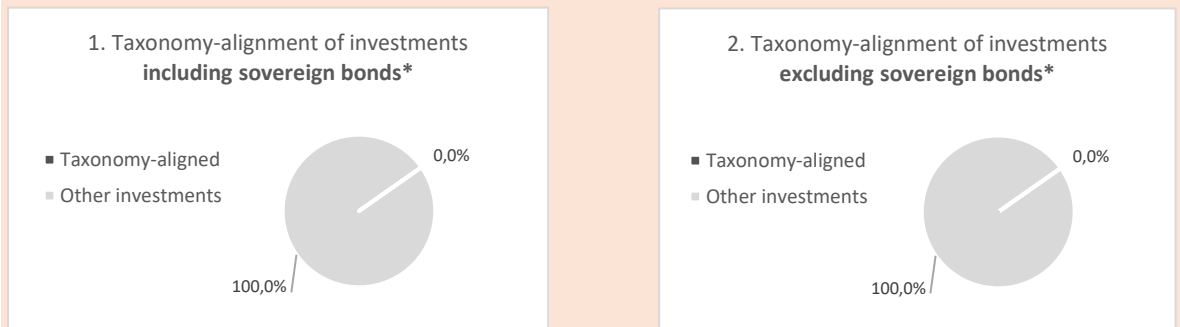
☐ In nuclear energy

☒ No

<sup>3</sup> Fossil gas and/or nuclear energy activities are only EU taxonomy compliant if they contribute to climate change mitigation ("climate change mitigation") and do not significantly impact any objective of the EU taxonomy – see explanation in the left margin. The full criteria for EU taxonomy-compliant economic activities in terms of fossil gas and nuclear energy are set out in Commission Delegated Regulation (EU) 2022/1214.



The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

#### What is the minimum share of investments in transitional and enabling activities?

The minimum share is 0%.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activ-



#### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share is 0%. Sustainable investments with an environmental objective and socially sustainable investments must account for at least 20% of the sub-fund's assets. Sustainable investments with an environmental goal are those that are compliant with at least one of the environment-related SDGs (e.g. SDG 12: Responsible Consumption and Production or SDG 13:



ities under the EU Taxonomy.

Climate Action).



### What is the minimum share of socially sustainable investments?

The minimum share is 0%. Sustainable investments with an environmental objective and socially sustainable investments must account for at least 20% of the sub-fund's assets. Socially sustainable investments are those that are compliant with at least one of the social SDGs (e.g. SDG 4: Quality Education or SDG 5: Gender Equality).



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Bank deposits are included under “#2 Other investments”. These are used for liquidity management. There is no minimum environmental or social protection for these other investments.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No, no index was determined as a reference value.

### *To what extent is the benchmark continuously aligned with the environmental and social characteristics advertised with the financial product?*

n/a

### *How is the continuous alignment of the investment strategy with the index method ensured?*

n/a

### *How does the specific index differ from a relevant broad market index?*

n/a

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



***Where can the method for calculating the specific index be viewed?***

n/a



**Where can I find more product specific information online?**

More product-specific information can be found in the section entitled "Sustainability-related disclosures" at <https://www.lupusalpha.de/produkte/fonds/lupus-alpha-smaller-euro-champions-c/>.