

## Guidelines for voting behaviour at shareholders' meetings

---

The Lupus alpha Group currently consists of an asset manager (Lupus alpha Asset Management AG) and a capital management company (Lupus alpha Investment GmbH) based in Frankfurt. The equity investments managed by Lupus alpha Investment GmbH give rise to voting rights, which we exercise in compliance with the special fiduciary duties towards the investment assets we manage on the basis of § 94 of the German Investment Code (KAGB). In particular, we are aware of the special responsibility, duty of care and loyalty towards the investor. Pursuant to § 3 (1) KAVerOV in conjunction with Article 37 AIFM-VO and on the basis of the organizational instruction on the exercise of voting rights, Lupus alpha has issued the following guidelines on the exercise of voting rights, with which we also express our stance regarding various environmental, social and governance ("ESG") issues.

The voting rights of the mutual funds issued by Lupus alpha Investment GmbH are exercised. Voting rights of the managed special funds are only exercised if the investor has consented to this. The voting rights of the outsourcing mandates of Lupus alpha Asset Management AG are the responsibility of the respective capital management company. As a rule, the third-party capital management company exercises its voting rights itself; in individual cases, it assigns its voting rights to Lupus alpha Asset Management AG.

Lupus alpha decides on the exercise of voting rights taking into account costs and expected benefits. Assuming that the higher our share of voting rights held, the more worthwhile the costs incurred, Lupus alpha has in principle set thresholds above which a detailed analysis of the items on the agenda of an Annual General Meeting is carried out (= "active exercise of voting rights"). Voting rights for assets below the thresholds are only exercised if critical agenda items or decisions with a significant influence on corporate management or business policy are to be voted on or when it is stipulated in the fund's contractual terms and conditions.

The following thresholds apply for active exercise of voting rights:

- The 20 largest equity holdings (ISINs) of Lupus alpha funds (aggregated over all equity holdings of the managed funds) are always actively exercised for German ISINs; foreign ISINs are only actively exercised if Lupus alpha holds more than 1% of the voting rights in the ISIN.
- All equity holdings (ISINs) in which Lupus alpha holds more than 1% of the voting rights are actively exercised.

Lupus alpha attaches great importance to representing the interests and voting rights of its investors towards stock corporations. The voting right is one of the most valuable rights of the shareholder and obligates him to use it responsibly. Lupus alpha thus sees responsible corporate governance as playing a key role in the sustainable value enhancement of its investments.

Corporate governance is therefore a fundamental component for Lupus alpha, with voting rights being an important instrument for strengthening shareholder rights. Constructive and continuous dialog with companies is therefore also an essential part of our investment processes. In this context, we strive to bring relevant ESG issues to the attention of the companies and to exert influence to address corresponding risks and initiate positive developments. Active dialog is used to support companies in developing sustainable business practices and to discuss potential concerns with the companies at an early stage. Concerns and agenda items at the shareholders' meetings are thus often addressed and discussed before the actual vote.

Prior to each vote at the Annual General Meeting for holdings above the threshold described before, the agenda items are subjected to a thorough analysis and are reviewed using our voting rights philosophy. In addition, Lupus alpha receives independent analysis on agenda items from the service provider IVOX Glass Lewis. These analyses and recommendations are then reviewed by Lupus alpha and are incorporated into the voting decision-making process. However, the final voting decision always remains entirely at the discretion of Lupus alpha. Through our close contact with companies, Lupus alpha may also deviate from the guidelines described below in exceptional cases, if the company can credibly assure us that it has addressed any concerns or is complying with the request in a timely and binding manner.

Lupus alpha's voting policy is based on the Analysis Guidelines for Annual General Meetings of the Bundesverband Investment und Asset Management e.V. (BVI) and on current corporate governance standards.

The following voting guidelines define the fiduciary exercise of Lupus alpha's shareholder voting rights and take particular account of the seven areas:

## **1. Shareholders' rights**

The shareholder has the right to information and participation. Lupus alpha is committed to the rights of the shareholders while respecting the principle of equal treatment. Special rights as well as measures that impair shareholder rights are not in the interest of Lupus alpha. Proposed amendments to the Articles of Association must always be justified and will be rejected by Lupus alpha if they worsen shareholder rights.

Critical factors are, for example, any restrictions on voting rights (voting caps), multiple voting rights or special rights (loyalty dividends or loyalty shares for long-term shareholders).

## **2. Management Board / Supervisory Board / Administrative Board**

Management bodies (Management Board, Supervisory Board, committees) should work closely together for the benefit of the company to ensure responsible management and control of the company geared to value creation through good corporate governance. Key aspects here are openness and transparency in corporate communications, respect for shareholders' interests and the safeguarding of clear responsibilities.

### Election

Responsible management and control of a company geared to long-term value creation is in the interests of its shareholders. The composition, scope of activities and separation of responsibilities of the corporate bodies should reflect this. This should be apparent to shareholders through appropriate transparency and open communication. There should be expertise in the area of sustainability (ESG criteria) on both the Management Board and the Supervisory Board.

When electing members of the Management Board or Supervisory Board, Lupus alpha checks, among other things, the suitability and qualifications of the candidates on the basis of meaningful CVs, compliance with upper limits for mandates held by a member, the diversity and composition of the bodies, and the independence of the members.

### Accountability, Independence, Responsibility and Discharge

With regard to the discharge of members of the Executive Board and/or Supervisory Board, Lupus alpha considers breaches of duty or other actions that compromise the integrity of a company. Even though a discharge vote relates to actions in the previous financial year, we will also consider material matters currently underway in our vote.

Critical issues here include, for example, violations of recognized norms and ESG standards, inadequate handling of conflicts of interest, legal risks arising from past misconduct by individual board members, and inadequate response to significant shareholder criticism. If there are indications of significant misconduct, Lupus alpha will not grant discharge.

Furthermore, Lupus alpha prefers to discharge members of the Executive Board and Supervisory Board on an individual basis. If there is no possibility to vote on the discharge on an individual basis, Lupus alpha will vote against the discharge of all members of the Management Board or Supervisory Board, respectively, if one of the members to be discharged does not meet the criteria for discharge.

In addition, the independence of the Supervisory Board members is a fundamental component of their control function, which is why Lupus alpha critically examines the composition of the various committees and bodies, interconnections between the Supervisory Board, the Management Board and major shareholders, as well as the composition of the Supervisory Board with former members of the Management Board.

### Remuneration („Say on pay“)

Lupus alpha supports a remuneration structure for the management bodies (members of the

Management Board and Supervisory Board) that is geared towards the sustainable and long-term development of the company. In this context, we consider the transparency and comprehensibility of the remuneration components as well as proportionality within the company and compared to peer companies. Compensation incentives should be in line with the business strategy and the long-term development of the company and should not tempt people to take inappropriate risks.

Among other things, Lupus alpha sees the absence of maximum compensation limits, the orientation of variable compensation to rather short-term targets without multi-year, future-oriented conditions, and the absence of claw-back mechanisms for compensation components paid out ("claw backs/malus") as critical factors for the compensation of the Executive Board members and thus also for the vote on the compensation system and the compensation report. In addition, the overall compensation structure should represent an appropriate balance between short- and long-term as well as fixed and variable incentive plans.

The remuneration system for members of the Executive Board and Supervisory Board shall be submitted to the Annual General Meeting for approval in the event of any adjustments to the remuneration components, but at least every four years.

With regard to the remuneration of Supervisory Board members, Lupus alpha will pay attention to the fact that the level of remuneration does not appear disproportionately high compared to comparable companies and is in an appropriate relationship to their tasks and the situation of the company. In this context, Lupus alpha is in favour of purely fixed compensation for Supervisory Board members, as performance-based compensation is inconsistent with a control function.

### **3. Annual financial statements and appropriation of profits**

The annual financial statements shall give a true and fair view of the economic situation of the company. Lupus alpha requires compliance with internationally accepted accounting principles and the provision of sufficient information to form an informed opinion on the company's situation. Lupus alpha takes a critical view of pending legal proceedings, unqualified audit opinions or concerns regarding the integrity of the financial statements.

The distribution policy should be in line with the long-term corporate strategy and be appropriate. Lupus alpha is generally critical of pay-out ratios that are consistently excessive or inappropriate compared to the industry, competition, current financial position or maturity of the company.

### **4. Auditor**

The auditor shall ensure that a true and fair view of the Company is obtained in the preparation and presentation of the financial statements and that the accounting rules are complied with. The prerequisite for this is an objective and well-qualified auditor who is free from conflicts of interest.

Therefore, Lupus alpha analyses, among other things, the independence and impartiality of

the auditor and the auditing company, potential conflicts of interest between the auditor and the interests of the shareholders, the duration of the previous appointment and the disclosure of fees and remuneration.

## **5. Corporate actions and share buybacks**

Corporate actions and share buybacks are in the interest of shareholders if they increase the company's long-term prospects of success. Lupus alpha can only assess this if companies explain their financing strategy and capital allocation policy. In this context, the legitimate interest in preserving business secrets must be taken into account.

In order to assess the long-term prospects of success of capital measures and share buybacks, Lupus alpha analyses the presentation of the company's long-term strategy, taking into account the benefits for shareholders. Measures and restructurings that lead to the abolition or restriction of shareholder rights are viewed critically by Lupus alpha.

## **6. Mergers and Acquisitions**

Acquisitions are examined on a case-by-case basis and evaluated in terms of sustainable value added for shareholders, strategic alignment and environmental and social consequences. Mergers and acquisitions are only in the interest of shareholders if they are in line with the long-term corporate strategy. Lupus alpha can only assess this if companies provide information on the background. In this context, the legitimate interest in preserving business secrets must be taken into account.

For example, Lupus alpha takes into account the strategic considerations, the economic comprehensibility, the purchase price and the corporate governance of the target company.

Lupus alpha requests that, in the event of a takeover bid, the Management Board convenes an Extraordinary General Meeting at which the shareholders discuss the takeover bid and, if necessary, decide on measures.

## **7. ESG standards**

Responsible corporate governance in compliance with recognized ESG standards is of particular importance in the interest of shareholders. Lupus alpha therefore also takes into account relevant sustainability considerations in all voting points and pays attention to appropriate and meaningful "non-financial reporting".

From a sustainability perspective, we therefore pay attention that company management strengthens governance structures and takes into account material environmental and social factors in all aspects of its business activities in order to take advantage of opportunities that arise and minimize the associated risks. If companies repeatedly fail to meet their ESG responsibilities or fail to do so with particular severity, we will take this into account when approving the actions of the members of the Executive Board and Supervisory Board and when electing the Supervisory Board.

Voting items that have explicit ESG concerns as the subject of the vote will be reviewed by Lupus alpha on a case-by-case basis and voted on accordingly.

## 8. Other Voting Items

Should any agenda items arise that are not covered by Lupus alpha's voting guidelines, we will carefully review and evaluate them.

More detailed information on sustainability at Lupus alpha can be found on our homepage: <https://www.lupusalpha.de/esg/>

## 9. Change History

<b>Date</b>	<b>Version</b>	<b>Description</b>
14.08.2024	1.00	Introduction Change history
11.06.2026	1.01	Spelling error correction