

A close-up, black and white photograph of a textured material, possibly fabric or paper, with many overlapping, slightly curved layers. The lighting creates soft shadows and highlights, emphasizing the texture. A solid red rectangular box is overlaid on the right side of the image.

Lupus alpha
Sustainability Report
2025

Lupus alpha

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Dear Readers,

The reporting year was marked by headwinds in sustainable investing, often described as ESG backlash. As a result, investment guidelines were frequently reviewed and readjusted, decarbonization targets modified, and exclusion criteria relaxed. Categories previously classified as non-sustainable, such as defence, are now being re-evaluated – even ESG cannot escape world politics. The backlash was intensified by the ESMA guidelines for fund names: providers adapted their product names in accordance with regulations, which reduced the public visibility of the topic. At the same time, media presence declined, as did the number of conferences and webinars.

There is a certain recalibration of ESG taking place, but the structural drivers remain: climate change with increasing physical risks, loss of biodiversity, ongoing energy transformation, and persistent regulatory pressure. Meanwhile, the issue of independent energy supply is gaining importance due to geopolitical aspects such as Europe's dependence on oil and gas deliveries.

The revision of the EU Disclosure Regulation (SFDR) is now on the agenda. This again means regulatory work for retail funds, but also presents an opportunity for greater transparency, clarity, and comparability. ESG remains politically desired, even though its specific implementation is changing. The question is not whether ESG will remain relevant, but in what form.

Regardless of ESG sentiment and regulation, the transition from a trending topic to a fixed part of the investment process has long been underway. Investors are implementing their ESG goals more professionally, and at the same time, opinions about the specific design of sustainability remain broad. Accordingly, we understand ESG as a flexible framework for responsible investing. The focus is on our role as a solution provider –



both for achieving our clients' return objectives and for meeting their highly specific ESG preferences.

Sustainable investing will continue to evolve under changing regulatory, social, and economic conditions. The decisive factor for the future success of the sustainability concept in asset management is the appropriate and comprehensible consideration of relevant ESG aspects in the respective investment strategies. ESG is thus not a static set of rules but remains an ongoing process of adaptation that allows plenty of room for different approaches.

Yours sincerely

Ralf Lochmüller

Corporate responsibility

Our relationships with our clients, business partners, employees and shareholders are defined by fairness, solidarity and trust.

LUPUS ALPHA – WHO WE ARE

Lupus alpha was founded in October 2000 as one of Germany's first independent asset management companies. With a partnership-based corporate structure and independence from banks, the founding partners laid the foundation for a unique corporate culture that provides optimum support for a focus on quality and performance and offers long-term prospects for the Company's top performers. This continues to make Lupus alpha a genuine alternative to the dominant market competitors for professionals and talent.

Since the company was founded, we have focused on investment approaches in specialised asset classes with particular return drivers. Lupus alpha started out in the European small- and mid-cap segment with one of the largest and most experienced teams in Germany specialising purely in this asset class. With its active, bottom-up approach based on fundamental research, the young asset manager was able to continuously and sustainably generate added value for investors. As one of the first providers of absolute return concepts, Lupus alpha continued its specialisation in 2003, initially expanding its product range to include derivative-based global equity strategies and, in 2007, volatility strategies. This development was triggered by growing demand for liquid alternative investment approaches among institutional clients and a wider statutory framework.

Today, the product portfolio includes investment concepts in the asset classes equity, convertible bonds, collateralised loan obligations (CLO), volatility, and risk overlay. With almost 100 employees, including 35 portfolio management specialists, we use specialised strategies to systematically uncover new alpha sources and sustainable risk premiums for our investors. By doing this, we create innovative opportunities for them to further diversify their overall portfolio.

Lupus alpha has set itself an ESG mission statement in 2022, which guides the ESG strategy:

Lupus alpha has stepped up to create value and added value from responsibility: We support people and institutions in shaping their financial future. We are convinced that it is impossible to separate provision for the financial future from responsibility for a future in which we all want to live.

Responsible investing makes an important contribution to this. Since its founding in 2000, Lupus alpha has placed long-term responsibility for achieving superior investment results and building and maintaining trusting and resilient relationships with clients, employees and other stakeholders at the forefront of its actions and investments.

As asset managers, we are aware of our fiduciary responsibility to our clients at all times. Responsible investing is inextricably linked to this fiduciary responsibility. We aim to deliver above-average performance and outstanding service to our investors over the long term, thereby creating real added value. By carefully and comprehensively considering ESG factors, we can identify special investment opportunities and detect sustainability risks earlier.

In our sustainable investment strategies, we make targeted use of the weight of the capital that we manage in trust for our clients: For us, sustainable investing, which takes into account environmental and social aspects as well as responsible corporate behaviour, is a decisive key to forward-looking active investment decisions. Our ESG investments thus make a contribution to the necessary change in our economy and society.

We have been a signatory to the Principles for Responsible Investment (PRI) since 2015. They not only define our framework for action but are also an incentive for us to formulate ambitious goals and continuously develop ourselves further. We have also been a

member of the Forum Nachhaltige Geldanlagen (FNG) since 2019 and a member of the Institutional Investors Group on Climate Change (IIGCC) since 2024.

As a signatory to the UN PRI, we define our key ESG priorities annually and derive specific measures from them. Responsibility for their effective implementation lies with the Executive Board. All employees are responsible for ensuring that they are implemented effectively as part of their respective roles.

RESPONSIBILITY TOWARDS CLIENTS AND BUSINESS PARTNERS

We place particular emphasis on maintaining a cooperative relationship with our clients to ensure that we can recognise their needs as accurately as possible at all times and offer them a genuinely personalised service.

Sustainable investment strategies have long formed part of these client needs and have been gaining significance for some time now. In light of this, our integrated range of services also includes implementing tailored solutions for our institutional investors using our own sustainable investment approaches. We also provide our clients with regular reports and up-to-date information on our investment strategies to ensure maximum transparency with regard to the investment process, performance and relevant ESG indicators. If adjustments are made to the product side or in the processes, we inform our customers immediately about these changes and thus keep them constantly up to date. As well as taking comprehensive measures to ensure compliance with laws and regulatory requirements as a matter of course, Lupus alpha also applies the Rules of Conduct issued by the German Investment Funds Association (BVI). Ensuring that our relationships with our clients, business partners and employees are defined by fairness, solidarity and trust and that we communicate transparently with all stakeholder groups is important to us.

Lupus alpha expects its employees to behave with integrity towards its clients and business partners to avoid conflicts of interest and act consistently in the interests of the clients. Furthermore, all processes are constantly monitored in accordance with relevant rules. Employees who work with our business partners receive regular training on issues such as preventing money laundering and insider trading in order to become aware of these issues. Individual departments are also subject to regular risk monitoring to ensure that operational and procedural risks are constantly monitored.

As part of our outsourcing partners' risk analysis, we assess how they implement ESG criteria within their companies. If individual criteria are not met, we reserve the right to take further action and terminate existing business relationships in cases of doubt.

RESPONSIBILITY TOWARDS EMPLOYEES

Lupus alpha's corporate culture is defined by open, constructive communication, a high degree of personal responsibility and the satisfaction of our employees. A positive working environment is as crucial as professional development and wellbeing. We help our employees to continually develop their professional and social skills and open up their professional prospects. After all, only highly motivated staff can deliver the best performance for our clients. Dedicated, skilled employees make a decisive contribution to the long-term success of the Company and help us to gain an important competitive advantage in the asset management sector. This means not only attracting the best talent but also motivating them to be top performers and keeping them at the Company in the long term. We treat each other as equals and invest systematically in young talent and leaders who actively take responsibility and drive Lupus alpha forward.

The annual Open Forum employee survey was introduced back in 2000 to promote an

open critical exchange of views between employees, management and partners. This communication platform contributes to the internal discussion and helps us to form opinions about issues that are important to our employees, which in turn enables us to respond with specific measures where appropriate.

Employees across all departments are also included in the further development of the Company's strategy via the annual targets workshop, where suggestions from our employees are collected, discussed and prioritised. Selected proposals are then incorporated into annual target planning, and the necessary measures are implemented by cross-functional project teams.

Good ideas often originate within our own workforce. Lupus alpha aims to ensure that such ideas are not lost and therefore encourages employees to contribute their suggestions – whether small impulses or major innovations.

Against this background, a concept for a continuous idea management process was developed in 2022 and launched for the first time in 2023. Since then, employees have had the opportunity throughout the year to submit their ideas as part of an idea competition. All submitted ideas are evaluated, and the best ones are awarded at the end of the year.

The program once again met with strong interest in 2025: more than 40 ideas were submitted across a wide range of categories. They ranged from proposals in the field of IT to ideas related to corporate culture and organization, as well as the optimization of internal processes and workflows. All ideas are reviewed and evaluated by an internal idea management committee composed of employees from various departments. If the initial evaluation is positive, further discussions take place with the relevant specialist department. It is important to us that every idea

receives attention. However, not all proposals can be implemented – for example, due to technical, financial, or other reasons.

Professional development

When it comes to professional development, Lupus alpha offers various programs tailored to our employees' individual roles. In addition to the "Introduction Day", which provides an overview of all the Company's divisions, additional opportunities are also available to new employees. Every new joiner is assigned an experienced senior manager as part of Lupus alpha's mentoring program. This program promotes the systematic integration of new colleagues. In addition, internal "Lunch & Learn" sessions can be organized, providing a platform for different departments to present, for example, investment strategies, processes, or background knowledge in detail to all interested colleagues. A special advanced training programme is also available to employees promoted into leadership roles. Combined with professional external training seminars, the Leadership Program provides new leaders with the best possible preparation for their role within the Company and their team.

The Company specifically promotes professional development in the area of sustainable investments with CESGA® (Certified ESG Analyst) certification from EFFAS.¹ Employees also have the opportunity to make use of the part-time CFA program or MBA degree courses. The aim is to provide the best possible personalised training for our employees that takes their personal wishes and needs into account while also meeting professional requirements.

Health

Actively promoting the health and wellbeing of our employees is an important issue at Lupus alpha. All staff have access to a fitness

¹The European Federation of Financial Analysts Societies.

studio where they can develop and prepare an individual training plan with a personal trainer. In addition, employees regularly form self-organized sports groups that engage in activities together or take part in competitions, such as the Generali Tennis Business Cup or the Willkie Business Cup hosted by Eintracht Frankfurt. Lupus alpha actively promotes and financially supports company-wide participation in the Frankfurt “J.P. Morgan Corporate Challenge” run, which consistently sees high levels of participation.

The healthcare program has been running for many years. It is open to all employees and includes a complete diagnosis day at the DKD Helios Clinic in Wiesbaden every three years, where a comprehensive check-up and specialist care modules are provided. Additionally, employees can participate in various services offered by the medical service (B·A·D Gesundheitsvorsorge und Sicherheitstechnik GmbH) throughout the year, such as vision and hearing tests, workshops on ergonomic seating, or flu vaccinations. Since 2018, Lupus alpha has also provided all employees with an employer-funded private supplementary health insurance.

An individual mobility budget that can be used, among other things, for the purchase of public transport tickets or for the leasing of a job bike, gives our employees the opportunity to actively and sustainably organise their commute to work according to their own preferences.

RESPONSIBILITY TOWARDS SOCIETY

Since Lupus alpha was founded, we have regularly supported charitable organisations. These include, for example, local organizations such as the Stiftung Frankfurter Löwenkinder and the Frankfurter Kinderbüro. In addition, as part of the German Scholarship (Deutschlandstipendium), Lupus alpha supports three talented students who demonstrate strong academic performance as well as social and community engagement. In

addition, we welcome and support the individual voluntary work of our employees, for example by giving them time off work.

Responsible investment

We systematically integrate ESG factors into the investment process and use a flexible range of tools to incorporate ESG risks.

OUR APPROACH

We understand responsible investing to mean:

- the integration of environmental (E), social (S) and governance (G) factors into the investment process and risk management as well as
- the frequent exchange with companies that we invest in, on topics regarding E, S and G factors, asking critical questions and helping to initiate changes.

We believe that these non-financial factors have an impact on a firm's long-term financial performance. Companies with weaker sustainability standards usually have higher E, S and G risks.

In addition to fulfilling our fiduciary obligations to our clients, our goal is to enter into a long-term constructive dialogue with the portfolio companies. These conversations are the core of our equity strategies and we consider them to be essential for our long-term investment success.

In this context, we not only perceive ESG factors as additional risk factors, but also see the opportunities and potential arising from the restructuring of the economy toward greater sustainability. In particular, companies that can benefit from the underlying structural growth drivers or transform their business model accordingly offer great opportunities.

SPECIFIC ESG APPROACH

As a specialized active asset manager, we focus on the following areas:

- Small and mid caps
- Convertible bonds
- CLO
- Derivative solutions (global equity, volatility, risk overlay)

Here we choose tailored approaches for dedicated sustainability funds and mandates,

depending on the respective investment strategies and individual client needs.

Exclusions (negative screening)

In all our strategies, we employ revenue-based and norm-based filters. This excludes investments in companies engaged in specific industries or sectors, and/or proven to violate social standards and principles of good corporate governance. The exact exclusions vary depending on the strategy and fund in accordance with investor wishes and regulatory requirements.

In our strategies with ESG characteristics, we have applied additional exclusion criteria beyond minimum requirements (no controversial weapons) for many years. These relate, for instance, to the following business areas:

- Coal mining and power generation
- Fracking
- Nuclear power
- Conventional weapons and armaments
- Firearms and ammunition for civilian use
- Alcohol and tobacco

Norm-based exclusions include:

- Violations of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- Violations of the UN Global Compact (UNGC)
- Violations of international human rights conventions and inadequate response/accountability by the company
- Violations of ILO core labour standards in the company and the supply chain, and inadequate response/appraisal of the company
- Very severe controversies

Positive screening

In strategies that apply positive selection, we review the investible universe with regard to a wide range of ESG criteria. In doing so, we

take into account, among other factors, a company's contribution to the Sustainable Development Goals (SDGs) adopted by the United Nations, its ESG rating or its carbon footprint. As part of portfolio construction, this allows, for example, for a preference toward companies that meet the criteria of a sustainable investment within the meaning of the Disclosure Regulation (EU) 2019/2088 ("SFDR"). In addition, these factors can be optimised at the overall portfolio level, for example to outperform the ESG profile of a benchmark index.

Sustainable Investments

Generally, we measure the share of sustainable investments in accordance with the SFDR across all our funds². Certain funds are also required to maintain a defined minimum quota of sustainable investments. For the fund Lupus alpha Sustainable Convertible Bonds, for example, this quota amounts to 51 per cent of the fund's assets.

Sustainable investments must meet additional criteria. In other words, not every investment screened based on ESG characteristics is automatically classified as sustainable. Instead, three key requirements must be met:

1. Positive contribution to a sustainability objective
2. No significant harm (compliance with the so-called "Do No Significant Harm principle")
3. Good governance

The United Nations Sustainable Development Goals (SDGs) play a particularly important role in this context. These 17 goals help identify key areas that contribute to sustainable development on various levels (economic, social and environmental), e.g.

- renewable energy,
- medical technology.
- water supply.

Through external ESG data providers, we analyse companies' products and services in terms of their positive contribution to these areas. It also becomes evident whether a company's activities have a negative impact on one or more goals. Based on this analysis, we can assess criteria (1) positive contribution to a sustainability objective and (2) no significant harm (DNSH principle). Additionally, to verify compliance with the DNSH principle, we consider all relevant Principal Adverse Impacts (PAIs) using defined criteria and thresholds.

The governance assessment of a company is determined through its ESG rating.

Consideration of principal adverse impacts on sustainability factors

In principle, we measure the PAIs of the portfolio companies in all our funds².

For our strategies with ESG characteristics, selected PAIs from the areas E, S and G are explicitly included in the investment process via exclusions and engagement. For explicit consideration in the investment processes, it is necessary for the relevant data to be available and of appropriate quality for a large part of the investable universe. Otherwise, consistent integration into the investment decision is not possible, and the risk of financial as well as regulatory risks increases.

ENGAGEMENT

Active dialogue with our portfolio companies plays an important role, particularly for our small- and mid-cap strategies. We therefore also consciously use this approach when implementing the topic of sustainability in order to strive for improvements together with the

²CLO funds are excluded due to insufficient data regarding their quantity and quality.

companies. In principle, our small- and mid-cap portfolio managers also talk and discuss sustainability with all companies. The intensity and specific topics always depend on the relevant sector and business model. In addition to this informal dialogue, we maintain a formal and documented engagement process regarding selected PAIs (CO₂ emissions and diversity) in our small- and mid-cap strategies with ESG characteristics and in our sustainable convertible bond strategy.

SOLUTIONS

In special funds and mandates, we implement customised sustainable investment solutions for all asset classes. Clients can define all parameters according to their guidelines, for example revenue limits, thresholds for ESG scores/ratings, CO₂ data or SDG contribution. We are also able to develop and implement new approaches with our clients. In addition to company- and sector-related requirements, we can also define performance indicators at portfolio level, whereby we always focus on the compatibility of the performance targets with the chosen sustainability approach. We are constantly refining our processes and analysis methods and utilise additional external data sources, provided they meet our data quality requirements.

INTERNAL AND EXTERNAL DATA SOURCES

In recent years, the scope and quality of available ESG data have steadily increased. We have taken this into account by investing in external research and internal expertise. We are committed to incorporating all available relevant information when managing our funds as well as in client reporting.

In particular, Lupus alpha uses MSCI ESG Research as an external data provider to obtain ESG data. These cover a broad range of thematic areas and thus complement our own fundamental analysis of the respective companies. For the CLO segment, we also source

ESG data from Moody's, a specialized provider in this field.

In the front office, we use an internally developed ESG tool that enables portfolio management to quantitatively check the compliance of its investments with ESG criteria, analyse individual securities in detail, and evaluate aggregated portfolio key performance indicators (KPIs). This tool integrates data from MSCI ESG Research and Moody's. For issuers not covered by MSCI, we collect the required ESG data ourselves via alternative data providers or by contacting the company directly. In addition, we can also overwrite the MSCI data in our internal systems if we determine that it is incorrect or outdated. This process is always carried out under the dual control principle and must be fully documented.

When it comes to portfolio implementation, we use SimCorp Dimension (SCD). This enables us to consistently block excluded issuers, meaning that portfolio managers and implementers can be reliably stopped from acquiring shares in blocked companies.

SUMMARY

We incorporate ESG criteria into our investment process in a number of different ways:

- Integration in fundamental analysis,
- Exclusions via revenue-based and norm-based screening,
- Positive screening,
- Engagement.

With these approaches, Lupus alpha has various instruments at its disposal for incorporating ESG criteria into the portfolio construction process as necessary to achieve a positive and informed outcome. We implement tailored sustainable investment solutions for all asset classes in our special funds and mandates, including via a combination of different instruments.

Our Engagement

Our ESG insight is based on constructive dialogue with companies.

FOCUS ON CORPORATE DIALOGUE

Constructive dialogue with the companies in which we invest is an essential part of our investment processes. Our small- and 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 exert influence in order to address corresponding risks and initiate positive developments. For our small- and mid-cap strategies with ESG characteristics, we also conduct formal and documented engagement with regard to selected PAIs.

Governance issues play a particularly important role here, as the quality of corporate governance is crucial to a company's long-term success. In this area, we focus on the individuals acting on behalf of the company, the independence of its supervisory bodies and how the company avoids conflicts of interest. Issues concerning the configuration of remuneration systems for management are equally important when it comes to aligning the interests of management with those of shareholders and other legitimate stakeholders. It is also important to ensure that management has a transparent information policy.

Questions concerning the environmental sustainability of production, working conditions and occupational safety as well as compliance with legal standards – including along the supply chain – also play a crucial role. These issues can pose both direct economic and reputational risks with the potential to damage a company's brand and threaten its business model. Other topics discussed include resource consumption, production processes, growth plans and the company's climate strategy as well as the configuration of outsourcing relationships and employee participation. In addition, our portfolio managers also keep in touch with their portfolio companies on an ad-hoc basis as required, particularly in the event of new controversies. The companies' responses and measures are monitored and documented, and these

findings are taken into account when we review our investment decisions.

Even in strategies where we do not have voting rights, we rely on dialogue strategies despite the reduced opportunities to exert influence. In our convertible bond strategies, this is possible directly with the portfolio companies. In our CLO strategies, by contrast, we focus on the managers of the CLO structures. As we do not have direct influence on the underlying loan issuers, we engage with CLO managers on ways to integrate ESG criteria into their loan selection processes, as well as on governance-related topics.

Formal engagement regarding CO₂ and board gender diversity

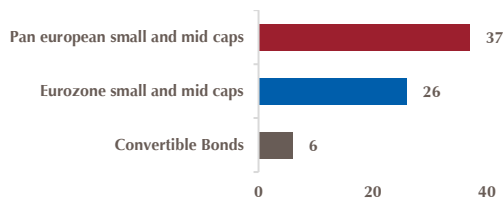
In our small- and mid-cap strategies with ESG characteristics and our sustainable convertible bond strategy, we consider selected ESG criteria in the form of formal and documented engagements. These criteria include CO₂ metrics and board gender diversity.

While for some criteria, such as controversial weapons or severe violations of the UN Global Compact, only a strict exclusion is considered appropriate, CO₂ metrics and diversity provide a good basis for engagement. In line with the transition concept, we aim to positively influence companies and initiate improvements based on these two criteria. We believe this approach is more suitable than relying solely on strict exclusions. We conduct formal and documented engagements with companies that rank in the lowest quartile of their industry peer group in terms of CO₂ footprint and intensity (small- and mid-cap strategies with ESG characteristics) or in the lowest decile (sustainable convertible bond strategy), or where their board lacks female representation. However, if both criteria apply simultaneously to a company, it is deemed ineligible for investment by us.

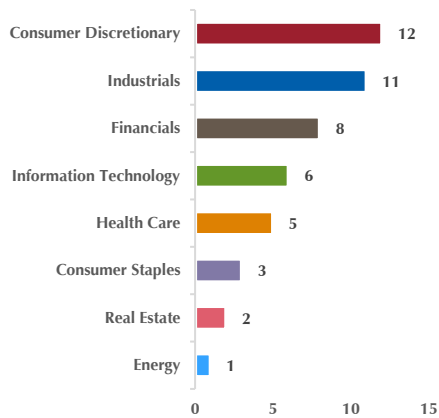
Our formal engagement activity in 2025

During the reporting year, we were engaged in an active engagement process with 48 companies. An engagement is considered active if at least one substantive interaction with the company – such as via email, telephone/video call, or at a conference – has taken place. With the exception of three engagement cases, the focus was on CO₂. The following charts present the engagements that were active in 2025 across various categories.

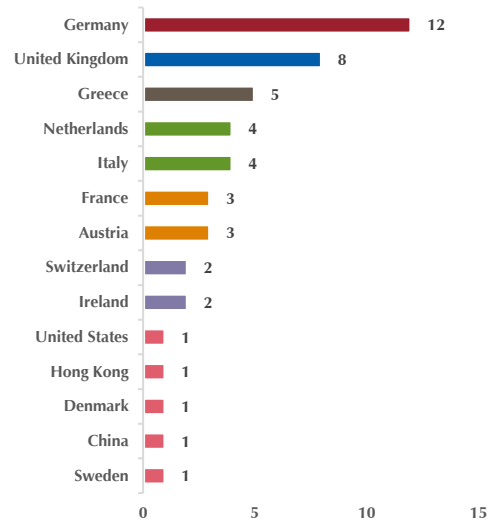
Ongoing engagements in 2025 by strategy³



Ongoing engagements in 2025 by sector⁴



Ongoing engagements in 2025 by country



The chart shows that the country base of the companies with which we are in an engagement process has expanded. Compared to the previous year, Greece, Switzerland, the United States, Hong Kong, Denmark, and China have been newly added. The engagements in non-European countries are attributable to the global convertible bond strategy.

Examples of our engagement

Trigano is a French manufacturer of motorhomes, caravans, and other leisure and camping equipment, and is one of the leading providers in Europe. In the past year, we initiated an engagement with the company due to comparatively weak CO₂ metrics. In October, we held an exchange with Investor Relations, focusing in particular on Scope 3 emissions. Our primary objective was to gain a robust understanding of data quality and methodology (including coverage of additional subcategories, potential external verification/auditing, and the handling of uncertainties), as well as the integration of climate targets into the company’s strategy and any tangible progress achieved to date. As not all points could be conclusively clarified during

³An engagement case was assigned to a strategy if the company in question was included in the portfolio of the strategy during the current calendar year after the engagement began. Consequently, an engagement case may be assigned to multiple strategies.

⁴For the classification of sectors, we follow the GICS sectors.

the discussion, we subsequently addressed open questions in writing, which the company then answered in a detailed and transparent manner. Overall, we observe steps in the right direction: Trigano is working intensively on the electrification of its motorhomes (including initial hybrid approaches) and is planning and pursuing a more systematic tracking of Scope 3 emissions by product category. In addition, the quantification of uncertainties is expected to be given greater consideration in the future, in line with the GHG Protocol.

Piraeus Financial Holdings is a Greek financial holding company and the parent company of Piraeus Bank. Through this entity, the group provides banking and financial services such as accounts, loans, corporate financing, asset management, as well as other financial market and advisory services for private and corporate clients. As part of our formal CO₂-related engagement, we were in direct dialogue with the company in 2025. We held a meeting with the Investor Relations and sustainability team of Piraeus Financial Holdings. The discussion focused in particular on data collection methodology, data quality, and decarbonization pathways. The company reported that it was among the first banks in the Greek market to begin comprehensively measuring its emissions. In addition, Piraeus outlined the current status of PCAF data quality as well as the next planned steps, including the publication of a climate transition plan with specific net zero targets and additional SBTi-validated goals. We will assess and evaluate target achievement, and the measures described once the next sustainability report is published (2026). Until then, we will continue to monitor developments – particularly with regard to the transition plan and net zero ambition – and will re-engage in dialogue if necessary.

Anta Sports Products is a Chinese company that designs, manufactures, and distributes sportswear, footwear, and accessories worldwide. The company has faced allegations

related to forced labour in China, particularly concerning Uyghurs in Xinjiang. In November 2025, our ESG data provider placed the company on a “watch list” regarding its alignment with the UN Global Compact in light of these allegations. In the same month, our portfolio management team held a company meeting focused on discussing this controversy. The team identified insufficient awareness and willingness to engage substantively with the issues raised and therefore decided to fully divest the position for ESG reasons. This case illustrates that we may decide against an investment even when a security remains formally investable: While we generally seek solutions through dialogue, we favour divestment where willingness and problem awareness are lacking.

EXERCISING VOTING RIGHTS

For Lupus alpha, responsible corporate governance plays a key role in the sustainable value creation of its investments. Lupus alpha attaches great importance to representing the interests and voting rights of its investors vis-à-vis 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. Accordingly, we exercise our voting rights in the funds that we manage as a capital management company. In doing so, we are guided by international and recognized standards.

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 stocks below the thresholds are only exercised when critical agenda items or decisions with a significant impact on corporate governance or business policy are to be voted on.

Our principles for exercising voting rights can be found here:

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

In the small- and mid-cap segment, regular and direct contact between our portfolio managers and the portfolio companies means that any concerns can be communicated to the company at an early stage. Concerns and agenda items at the annual general meetings are thus often addressed and discussed before the vote.

Prior to each annual general meeting for shareholdings above the threshold described above, the agenda items are 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, IVOX Glass Lewis, in this field. Our in-depth engagement with selected companies and the increased level of scrutiny applied to individual voting items mean that we participate in fewer annual general meetings. However, we place particular importance on substantive analysis and targeted influence before and during the annual general meetings, rather than aiming to maximise the number of votes cast.

These analyses and recommendations from the external research provider 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 investee companies, Lupus alpha may also deviate from the guidelines 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.

In general, our goal is to address important ESG issues in advance, i.e., in regular company meetings, to initiate changes through

dialogue, and thus to achieve good results together with the companies.

In 2025, Lupus alpha actively voted at 112 annual general meetings (108 companies). The voting behaviour was as follows:

- In 63 cases, Lupus alpha voted against management on at least one agenda item.
- In 38 cases, Lupus alpha fully agreed with the resolutions proposed by management.
- In 11 cases, Lupus alpha abstained on at least one agenda item while approving the remaining items.

Sustainability goals and changes in our approach

We are prepared for the growing requirements in the area of sustainability.

Sustainability is evolving dynamically both from a regulatory and a market perspective, making the continuous review and further development of our sustainability approaches essential. In 2025, the following developments were of particular focus: the implementation of the ESMA guidelines on fund names, the reclassification of a CLO fund from Article 6 to Article 8 under the EU Disclosure Regulation (“SFDR”), and a market-driven reassessment of the concept of sustainability.

STRATEGIES AND FUNDS

At the beginning of the year, the focus was primarily on implementing the ESMA guidelines on fund names. These define binding criteria for funds that use sustainability-related terms in their names and aim to prevent greenwashing through misleading naming. For four of our mutual funds in the strategy areas of small and mid caps, convertible bonds and derivative solutions, this required a clear decision: either adapt the investment processes to the requirements or change the names of the affected funds by no later than 21 May 2025.

We adopted a differentiated approach: two of our funds continue to maintain a clear sustainability focus and fully comply with regulatory requirements – including the ESMA guidelines on fund names. These include the *Lupus alpha Sustainable Convertible Bonds* and the *Lupus alpha Sustainable Return*. Two other funds continue to incorporate ESG characteristics in their investment process, but not in the manner required by the guidelines for using the term “sustainable” in the fund name. These funds were therefore renamed *Lupus alpha Smaller Pan European Champions* and *Lupus alpha Smaller Euro Champions*.

For the funds that continue to carry the term “sustainable” in their name, we also made adjustments to the ESG investment strategy in line with the guidelines. Existing ESG

exclusions were expanded to include the criteria of the Paris-Aligned Benchmark (PAB). In addition, a minimum share of sustainable investments was introduced. To determine this share, we rely on the methodology for identifying sustainable investments that was further developed in the previous year. In line with the proposed RTS revisions by the ESAs (December 2023), we have refined this methodology. In particular, the requirements for assessing the “Do No Significant Harm (DNSH) principle” were tightened. All relevant PAIs are systematically incorporated into the DNSH assessment, and the thresholds and evaluation criteria applied are disclosed. This information is published both in our ESG methodologies on the website and in Annex IV of the annual reports of the respective funds.

Our sustainable convertible bonds fund *Lupus alpha Sustainable Convertible Bonds* received the FNG sustainability label for the eighth time in a row and was also awarded two out of three possible stars. We view these awards as confirmation of the quality of our ESG investment approach beyond regulatory requirements. The award of two stars makes it clear that we not only fulfil the FNG minimum standards but also comply with additional criteria in the areas of institutional credibility, product standards (such as the ESG research process) and portfolio focus (e.g. exclusions that go beyond the minimum criteria).

Another significant development has taken place with the *Lupus alpha CLO High Quality Invest*. In October, the fund was classified as an Article 8 product under SFDR for the first time. Implementation posed particular challenges, as CLOs represent a niche asset class in which ESG approaches are gaining importance but remain less established than in traditional equity or bond strategies. The main reasons for this are limited data availability and greater complexity. Accordingly, ESG approaches developed for other asset classes could not be applied directly.

The objective was to develop a methodology that – given the specific characteristics of the asset class – is transparent, meets our internal quality standards, can be implemented consistently, and can be clearly communicated to investors. At the same time, the approach needed to comply with regulatory and compliance requirements. The development process included, among other things, reviewing and evaluating available data, conducting peer group analyses, assessing and refining internal processes, and evaluating technical implementation options. Through an iterative, cross-departmental process, we ultimately developed a robust and comprehensible methodology. As with our other Article 8 funds, this approach is described in the fund-specific ESG methodology.

In addition, we engaged intensively with the further development of our understanding of sustainability in the investment context. This was driven, among other factors, by the adjustment of the BVI target market concept at the end of 2024 and the increasing public and political debate on the role of defence investments – such as in the context of the Munich Security Conference or the establishment of the Special Fund for Infrastructure and Climate Neutrality in Germany. While in the past there was often broad consensus on basic exclusion criteria, ESG preferences today are becoming increasingly individualized. The topic of defence is a clear example of this trend. We continue to take this growing individualization of sustainability preferences into account by offering tailored and flexible ESG solutions for institutional mandates.

REGULATION AND REPORTING

The implementation of the **ESMA guidelines on fund names** required not only adjustments to the investment strategies of certain funds, but also a comprehensive revision of the relevant product documentation – both regulatory and marketing-related – as well as the content on our website. In this context, we used the regulatory changes as an opportunity to review and further develop our product information overall. We analysed the design, structure, and informational content of the materials and identified optimization potential in several areas. For funds with an explicit sustainability focus, the enhanced ESG approaches were explained accordingly. For the two funds that no longer carry the term “sustainable” in their names, the renaming was reflected across all product documentation as part of this revision.

In addition to the mandatory regulatory disclosures, we continue to provide fund-specific ESG methodologies on our website and prepare customized ESG reporting for institutional clients. Our aim is to ensure a high level of transparency, take into account ongoing developments in data availability, and address the specific information needs of our clients in a targeted manner.

In the context of **SFDR**, we once again published our PAI statement during the reporting year. As in the previous year, the statement includes a mandatory year-on-year comparison, making developments in the metrics over time transparent. To better understand and explain changes in PAI values, we continue to rely on our internally developed attribution analysis. This enables us to quantitatively identify and accurately assess the drivers of changes at both company and fund level.

Another regulatory milestone emerged towards the end of the year: On November 20, 2025, the European Commission published the long-awaited draft revision of the SFDR, often referred to as “**SFDR 2.0**”. This

represents a significant step in the further development of European sustainability regulation in the financial sector. Last year, we began analysing the draft and participated in information events and expert dialogues. While the final design of the future regulation remains to be seen, it is already apparent that the further development of the SFDR will be a central topic in sustainable investing over the next two years.

DATA AND TOOLS

In 2025, we consistently continued the development of our data and tools and achieved several key milestones. Building on the groundwork laid in 2024, the requirements of the ESMA guidelines on fund names were fully implemented. This applied both to our compliance software and our internal ESG tool: enhanced exclusions were integrated, and the minimum share of sustainable investments as well as the underlying criteria were incorporated.

Another focus was the integration of new data for our Article 8 CLO fund. While we rely on MSCI data for small and mid caps, convertible bonds and derivative solutions, for CLOs – due to the specific characteristics of this asset class – we primarily use data from Moody's as well as results from internal analyses. This required an expansion of our IT systems – Data Warehouse (DWH), SimCorp Dimension (SCD), and the ESG tool – to ensure the automated processing of the new data points.

Our internal ESG tool is now well established across teams and is continuously being enhanced to improve internal and external reporting, the use of ESG data, and the analysis of ESG risks. In 2025, the focus was on generating value from the newly integrated CLO data. For this purpose, the following analysis functionalities were developed:

- Pre-trade checks of CLO deals and CLO managers
- Portfolio evaluations showing the share of investments that (do not) meet the promoted environmental and social characteristics
- Overview of missing data points at deal level to systematically identify data gaps

In addition, we continuously implement new functionalities in the ESG tool based on existing data. For example, a report was developed that captures all relevant metrics for CO₂-related engagement. This includes the carbon footprint and carbon intensity, industry percentiles over time, as well as forward-looking indicators such as SBTi targets or implied temperature rise (ITR). This report enables portfolio management to view all key metrics at a glance and conduct targeted dialogues with companies.

At the same time, we continued our active exchange with various data providers. With our existing partners, we hold regular discussions to stay informed about current developments, initiate data-related improvements, and communicate our own requirements. At the same time, through ongoing dialogue with additional providers, we continuously assess the market to remain up to date in terms of data availability, data quality, and emerging market standards.

RISK MANAGEMENT

The consideration of ESG risks is an integral part of our risk management. Daily general risk reports which are sent to the responsible portfolio managers and CIOs, include the following ESG metrics and PAIs at fund level and for the benchmark:

- ESG score
- Carbon footprint
- Implied temperature rise⁵
- Proportion of companies with violations of

⁵The implied temperature rise is a forward-looking metric, expressed in degrees Celsius, that aims to indicate the alignment of companies, portfolios, and funds with global temperature goals.

the OECD guidelines (this includes the review of UNGC, ILO, UNGP)

- Climate Value-at-Risk

In addition, a detailed ESG risk report is prepared and evaluated on a monthly basis at fund level. This is distributed to the Executive Committee (incl. CIOs) and portfolio managers. The report contains the following information for fund and benchmark:

- ESG rating
 - List of companies with an ESG rating below BB
 - ESG rating distribution
 - ESG score and components (E, S and G) over time
- Carbon footprint
 - Distribution of carbon footprint deciles
 - List of companies in the fund in the worst decile
 - Evolution of carbon footprint (Scope 1,2 and 3) over time
- Implied temperature rise⁶
 - Distribution by temperature
 - Implied temperature rise over time
 - Companies with an implied temperature

rise above 5°C

- Controversies (violations of OECD Guidelines)
 - Distribution by severity of controversy
 - Percentage of companies with serious controversies over time
 - List of companies in the fund that are subject to serious controversy or on the watchlist
- Active exposure to fossil fuels
 - List of companies in the fund with active exposure to fossil fuels
 - Exposure of the funds to fossil fuels over time
- Analysis of correlation of ESG score to market risk/credit risk/liquidity risk
 - Correlation table
 - Regression chart

Physical and transitory sustainability risks are covered by a monthly report that includes all⁷ Lupus alpha funds. This report is based on MSCI's Climate Value-at-Risk model, using the climate scenarios developed by the Network for Greening the Financial System (NGFS).

⁶The implied temperature rise is a forward-looking metric, expressed in degrees Celsius, that aims to indicate the alignment of companies, portfolios, and funds with global temperature goals.

⁷CLO funds are excluded due to insufficient data regarding their quantity and quality.

Outlook

We are expanding our expertise in the area of sustainability and acting as a solution provider for our customers.

REGULATORY REQUIREMENTS

In 2026, the revision of the **SFDR** will take centre stage. Originally conceived as a pure transparency regulation (“If a fund claims to be sustainable, it must disclose how this is implemented”), the SFDR has in practice effectively evolved into a product classification system. Terms such as “Article 8” (light green) and “Article 9” (dark green) have frequently been used for marketing purposes. Against this backdrop, the current draft already makes it clear that the SFDR will move toward a formal categorization system. Specific criteria will be defined for each product category, meaning that classification and corresponding marketing of a product will in future require compliance with the respective category requirements.

For our existing Article 8 funds, this means that a simple label change (“from Article 8 to category XY”) will not be sufficient. Instead, a careful assessment is required:

- How should the products be positioned in the market going forward?
- Which criteria of the new product categories are already met by our funds?
- If not, which adjustments to the strategies are necessary, how can these be implemented in practice, and is the required data available in sufficient quality?

It is possible that some approaches developed over recent years, into which considerable effort has been invested, may no longer be applicable in the future. Nevertheless, we are convinced that adhering to existing approaches purely for historical reasons would be the wrong path. Rather, we view the regulatory revision as an opportunity to fundamentally reassess established approaches and, where appropriate, implement them differently. Sustainability as a topic has matured in recent years: data quality has improved, methodologies and client expectations increasingly go beyond simple exclusions, and insights gained over time can be used to develop more advanced approaches.

A key example is the PAI statement, which is likely to be discontinued under SFDR 2.0. For this statement, we developed an internal attribution analysis that makes it possible to trace the drivers of changes in PAI values over time. This analysis has proven to be a valuable tool – not only for the PAI statement, but also, for example, in addressing specific client inquiries, such as explaining the development of a fund’s carbon footprint.

To actively support the SFDR revision, we will in 2026:

- participate in information and discussion forums, particularly within initiatives of which we are members,
- actively contribute to position papers,
- establish an interdisciplinary project team, and
- inform relevant internal departments at an early stage to ensure coordinated implementation.

IMPROVEMENTS OF DATA STRUCTURE, REPORTS AND TOOLS

The further development of our data structure, ESG reporting, and the internally developed front-office ESG tool is an ongoing process, as the availability and quality of ESG data continue to improve.

In the coming year, a particular focus will be on reviewing and further developing our ESG data framework in light of the requirements of SFDR 2.0. The objective is to ensure the regulatory compliance of our data while systematically enhancing existing data structures and processes.

MEMBERSHIPS

2015 Principles for Responsible Investment (PRI)
2019 Forum Nachhaltige Geldanlagen (FNG)
2024 The Institutional Investors Group on Climate Change (IIGCC)

COMPANY-RELATED DOCUMENTS WITH ESG FOCUS

Responsible Investing Policy
Principles of Exercising Voting Rights

PRODUCT-RELATED DOCUMENTS WITH ESG FOCUS (extract)

Lupus alpha Sustainable Convertible Bonds

- Factsheet, including ESG reporting
- ESG methodology
- Company portraits

EMPLOYEE QUALIFICATIONS

CESGA®(Certified ESG Analyst) certification from EFFAS

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