

Sustainability Considerations in the Investment Process of Früh & Partners Asset Management Ltd. - Supplementary Information -

1. Introduction:

This information from Früh & Partner Asset Management Ltd. describes our general approach to sustainability-related considerations as part of the overall analysis of our investments in the context of asset management and investment advisory services.

This document is intended as supplementary information to your asset management agreement or investment advisory agreement. The legally required disclosures pursuant to Regulation (EU) 2019/2088 (SFDR) and Regulation (EU) 2020/852 (Taxonomy) will be provided to you separately and are published on our website (www.fpartner.com). This supplementary information does not constitute a standalone ESG or sustainability strategy and does not promote environmental or social characteristics within the meaning of Article 8 of the SFDR.

2. Guiding principle:

The investment philosophy of Früh & Partners Asset Management Ltd. pursues a long-range investment horizon. In the course of analysis and selection of our companies, it is therefore our intention to invest in stable and yet viable companies. As asset managers, we strive to responsibly handle the capital entrusted to us.

We do not offer an express “ESG strategy” or “sustainability strategy” and intentionally do not advertise our service as such. The reason for this is that sustainability is sometimes oversimplified in public discourse due to marketing influences, and we believe that rigid labels do not do justice to the individual character of a thorough company analysis.

We wish to always remain open to the entire investment universe and consistently gain our own impression of companies and issuers. The longer the investment horizon, the greater the importance of qualitative factors. These may include—among many other aspects—issues in the areas of environment (E), social (S), and corporate or government governance (G), to the extent that they may be relevant to an issuer’s long-term development, reputation, operational stability, or financing costs.

3. Our understanding:

At its core, we define “sustainability” as a company’s ability to thrive over the long term. In our view, this is often linked to how a company interacts with its key stakeholders (e.g., employees, customers, owners, suppliers/partners, as well as the government and society) and how resilient its business model is to change.

As long-term investors, we therefore consider—in addition to key metrics and valuations—qualitative factors that may provide insights into the sustainability of a business model. These may include, for example, issues related to corporate governance (e.g., integrity, incentive systems, transparency), compliance with regulatory requirements, or industry-specific environmental and social issues.

At the same time, positive environmental or social effects alone are no guarantee of a profitable investment. In our view, the decisive factor is always the overall assessment of strategy, market position, management quality, balance sheet, cash flow, and valuation. There are also industries and activities that are essential for supply chains and the economy, even if they do not always appear “ideal” in simplified sustainability labels. In some instances, it is precisely companies in such sectors that can drive change through innovation and investment.

4. Our approach:

It is often suggested in public discourse that companies can be easily classified as “sustainable” or “unsustainable.” We consider such a classification without context to be too simplistic. Our approach is therefore based on an individual, multi-stage analysis process.

We use external information (e.g., annual reports, research, analyses, controversy reports, or ESG-related data) as a potential addition, but we do not rely exclusively on external ESG ratings since evaluation methods and data pools can vary significantly depending on the provider. Our own analysis process and understanding of the business model remain crucial aspects.

Our approach is to analyze the company down to the finest detail and to develop an in-depth understanding for the respective company. In our time-intensive and detailed, fundamental analysis process, we focus on both a company's quantitative and also qualitative factors. This also includes, for example, besides analyses of the company's figures, discussions with management or representatives of the investor relations department, as well as discussions with former employees, competitors, etc., in order to obtain as broad a picture as possible and to understand the company down to the smallest details. ESG information—where available—can serve as a supplementary source of information; no systematic SCG assessment is conducted.



Image 1: Our diagram of the company analysis process

As part of our qualitative assessment, we pay particular attention to good corporate governance. We are convinced that governance aspects—such as integrity, strategic transparency, accountability, and incentive systems—can be essential for long-term success. Where appropriate, we also consider ownership structures and management’s focus on long-term value creation.

5. Conclusion

Through our in-house investment team, we ensure that investments are only considered if they meet our internal quality and analysis requirements. Sustainability-related aspects may be incorporated into the overall analysis, but they are not the primary criterion for investment decisions.

We continuously monitor relevant developments during the holding period. Depending on the investment, these encompass financial, company-specific, and market-related factors. In the event of significant changes, this may lead to a revaluation and, if necessary, adjustments to the portfolio.

6. Classification (Article 6 SFDR)

Früh & Partner Asset Management Ltd. generally classifies its asset management and investment advisory services under Article 6 of the SFDR. Investment decisions or recommendations are primarily based on traditional financial criteria. Sustainability risks may be taken into account on a case-by-case basis, provided they are identified as potentially financially material. No assurance can be given that sustainability risks will be fully identified or avoided.

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Additional notices and information:

This supplementary information will be updated as needed, particularly in the event of significant changes to the business model or relevant regulatory developments. The current version is published on the website of Früh & Partners Asset Management Ltd. (www.fpartner.com).

Früh & Partner Asset Management Ltd. fulfills its sustainability-related disclosure obligations in accordance with Regulation (EU) 2019/2088 (SFDR) and Regulation (EU) 2020/852 (Taxonomy), which are published on the website (www.fpartner.com).