



ETHENEA

Voting Report

2022 calendar year



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Foreword

When exercising our right to vote, we support our portfolio securities with a constructive outlook.

ETHENEA Independent Investors S.A. (“ETHENEA”) places emphasis on sustainability for its investments, not only in terms of a sustainable increase in value but also with regard to ESG (Environmental, Social and Governance) criteria. Both aspects are complementary when selecting equities: a company can only be successful in the long term if it uses its resources efficiently, treats its internal and external stakeholders (e.g. employees, business partners, suppliers and customers) fairly and operates with integrity.

Therefore, as part of our portfolio management approach, we factor ESG aspects into our investment decisions in addition to conventional financial data. On the one hand, by making exclusions such as coal or tobacco, but also on the basis of individual ESG analyses and the associated minimum requirements. When compiling the fund portfolio we use these filters and supplementary analyses to focus from the outset on companies which meet our sustainability standards, within the meaning of both definitions.

It is nevertheless important to keep supporting the development of these companies, including after the initial investment decision. As well as fostering dialogue with the management of the companies in which we invest, we use our right to vote at general meetings as an additional means of communication. Although dialogue offers the opportunity to exchange views, it does not generally have a formal or binding nature. By contrast, exercising the right to vote at general meetings, does have such characteristics and is therefore an effective tool for helping to shape the orientation of companies.

As active asset managers, we wish to dutifully exercise this right that has been invested in us on a fiduciary basis, both in the interest of our investors and to take into account our internal principals. With this report we create transparency with respect to our voting behaviour during the 2022 calendar year.



1. Principles for the exercise of voting rights

We consider it important to exercise our voting rights in the interest of our investors and to take into account our aforementioned principles. To do so, we examine a broad range of performance indicators.

The principles which govern our activity are listed in our [Guidelines for Exercising Voting Rights](#). These lay the foundations of our voting behaviour, according to which we make our voting decisions based on the individual corporate context.

ETHENEA¹ endeavours to participate in the general meetings of all companies in which we hold a direct or delegated individual equity position with the right to vote (“proxy voting”).

¹ETHENEA Independent Investors S.A.’s multi-asset funds include the three Ethna funds – Ethna-DEFENSIV (with a focus on bonds), Ethna-AKTIV (balanced) and Ethna-DYNAMISCH (with a focus on equities) – as well as the global macro fund HESPER FUND – Global Solutions.

2. The exercise of voting rights

During the 2022 calendar year, we – ETHENEA – exercised our right to vote at 64 ordinary and extraordinary general meetings. With just two non-attended general meetings, our participation rate is approx. 97%. The number of voting rights exercised varies significantly between the funds. It is determined by the funds' respective priorities and the weight of the individual equities in the overall portfolio context.

Ethna-DYNAMISCH

Ethna-DYNAMISCH, the most offensive of the three Ethna funds, consists essentially of a long-term equity portfolio. At the end of the previous calendar year, it comprised 44 individual securities. This mandate accounted for the majority of the general meetings, i.e. 37 ordinary and 1 extraordinary meeting. The difference between the number of portfolio securities and the participation in ordinary general meetings results from three positions which we only added to the portfolio after the respective general meeting, two companies in which we hold non-voting preferential shares and two other companies whose general meetings we could not participate in due to technical restrictions in the voting system.

Ethna-AKTIV

The equity allocation of our balanced flagship fund, Ethna-AKTIV, tends to be lower. In addition to the use of funds, ETFs and derivatives, it is primarily attributable to a broadly invested portfolio of individual equities, which comprised around 50 securities at the end of the 2022 calendar year. As the portfolio of individual equities was built up gradually during the course of the year, the number of voting securities was considerably lower, particularly in spring/early summer, which is the peak season for general meetings. The portfolio management participated in all 26 general meetings for which it had voting rights.

Ethna-DEFENSIV

Ethna-DEFENSIV focuses on bonds and has the most defensive risk profile among the Ethna funds. In terms of mandates, the equity allocation is low. Furthermore, the fund is primarily managed via ETFs. During the previous calendar year, Ethna-DEFENSIV had no voting individual equities in the portfolio.

HESPER FUND - Global Solutions

Our global macro fund largely manages its equity allocation via ETFs and derivatives. In addition, HESPER FUND – Global Solutions pursues a highly flexible, opportunistic approach. Therefore, the number of voting individual equity positions is low. During the previous calendar year, HESPER FUND held no voting individual equities.

At the aforementioned 64 general meetings, we cast votes on 466 agenda items and approved the majority of them (382). This included seven shareholder proposals which we supported contrary to management recommendations (see Extract 1 on Berkshire Hathaway Inc., for example). The low number of votes against management recommendations can be explained on the one hand by the fact that many agenda items, such as the ratification of the auditing firm, involve formalities which are not generally controversial for our portfolio securities. Thanks to our equity selection process, which already pays attention to sustainable characteristics such as sound corporate management and suitable internal control mechanisms as a preventive measure, our need for intervention is low, even for more complex, company-specific agenda items.

We rejected 84 agenda items, all of which involved shareholder proposals. In 2022, the number of ESG-related shareholder proposals rose substantially, particularly in the U.S. One of the likely reasons for this was an announcement by the U.S. Securities and Exchange Commission

published at the end of 2021, granting shareholders greater freedom when formulating the content of proposals.² Whereas the number of proposals has increased as a result, their quality has declined. On the one hand, ESG initiatives are marked by excessive attention to detail and absolute demands (cf. Extract 2 on Nike Inc., for example). On the other hand, shareholder groups feel called upon to question such ESG initiatives (cf. Extract 3 on Walmart Inc., for example). Given the increase in shareholders proposals in general and particularly their politicisation, it is important to weigh up votes carefully. We therefore take the individual company context into consideration and do not allow ourselves to be guided by blanket narrative (cf. Extract 4 on Berkshire Hathaway Inc., for example).

Specific voting examples

1. Ethna-DYNAMISCH vote against the management recommendation of Berkshire Hathaway Inc., 30 April 2022

A shareholder proposal required Berkshire Hathaway to disclose climate-related risks and opportunities along the lines of the internationally recognised reporting standards of the Task Force on Climate-related Financial Disclosures (TCFD). Although we recognise that individual companies within the holding company already engage in advanced ESG reporting, we nevertheless voted in favour of this shareholder proposal, against the management recommendations. We feel that market transparency, including with regard to various ESG aspects, forms the basis for efficient resource allocation. It is therefore important to establish a uniform reporting standard, which in the context of Berkshire Hathaway applies to the entire holding company level. We notified management of the reasons for our vote in advance. In the 2021 calendar year, we already voted in favour of a similar shareholder proposal.

Even if the proposals have not yet been implemented, we still believe it is crucial to pay particular attention to ESG issues.

² <https://www.sec.gov/corpfin/staff-legal-bulletin-14l-shareholder-proposals>



Specific voting examples

2. Ethna-AKTIV vote according to the management recommendation by Nike Inc., 9 September 2022

A shareholder proposal required Nike to pause sourcing of cotton and other raw materials from China to ensure that Nike is not involved in human rights violations against the Uyghur ethnic group, which suffers systematic repression in China. As we support the idea of this request in principle, we asked management in writing to expand the control of the supply chain, particularly in China, to ensure that Nike is neither directly nor indirectly involved in human rights violations. We nevertheless voted against the shareholder proposal due to its overly imprecise and absolute wording.

3. Ethna-AKTIV vote according to the management recommendation by Walmart Inc., 1 June 2022

A shareholder proposal questioned the benefits of Walmart's anti-discrimination practices, e.g. in the context of personnel issues, and requested an analysis of their impact on business. On the one hand, we feel that this proposal is unnecessary because Walmart regularly reviews and reports on its own practices, including with the involvement of external stakeholders. On the other hand, we believe that the shareholder proposal undermines the importance of social initiatives, so we voted against it.

4. Ethna-DYNAMISCH vote according to the management recommendation by Berkshire Hathaway Inc., 30 April 2022

Warren Buffett holds the positions of CEO and Chairman of the Board at Berkshire Hathaway. A shareholder proposal requested the separation of these roles. From a governance perspective, this separation is good practice to ensure that the Board of Directors can exert its control function over management without external influence. In general, we support the required dualism. However, in the case of Berkshire Hathaway we voted against the shareholder proposal. Firstly, Warren Buffet has already agreed for someone else to take over as CEO as soon as he is no longer able to fulfil this role. Secondly, Berkshire Hathaway has confirmed numerous times that the two positions will be separated once Warren Buffet is replaced.

We feel that these votes sustainably support the value of the respective company, entirely in keeping with our mandate and in the interests of our investors. Upholding this credo, during the 2022 calendar year we voted on 466 agenda items at 64 general meetings. We also wish to exercise our right to vote in future, to continue supporting our portfolio securities with a constructive outlook.

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Austria, Belgium, Germany, Liechtenstein, Luxembourg: DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Strassen, Luxembourg; France: CACEIS Bank France, 1-3 place Valhubert, F-75013 Paris; Italy: State Street Bank International – Succursale Italia, Via Ferrante Aperti, 10, IT-20125 Milano; Société Générale Securities Services, Via Benigno Crespi, 19/A - MAC 2, IT-20123 Milano; Banca Sella Holding S.p.A., Piazza Gaudenzio Sella 1, IT-13900 Biella; Allfunds Bank S.A.U – Succursale di Milano, Via Bocchetto 6, IT-20123 Milano; Spain: ALLFUNDS BANK, S.A., C/ Estafeta, 6 (la Moraleja), Edificio 3 – Complejo Plaza de la Fuente, ES-28109 Alcobendas (Madrid); Switzerland: Representative: IPConcept (Schweiz) AG, Münsterhof 12, Postfach, CH-8022 Zürich; Paying Agent: DZ PRIVATBANK (Schweiz) AG, Münsterhof 12, CH-8022 Zürich. The paying or information agents for HESPER FUND, SICAV - Global Solutions are the following: Austria, France, Germany, Luxembourg: DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Strassen, Luxembourg; Italy: Allfunds Bank S.A.U – Succursale di Milano, Via Bocchetto 6, IT-20123 Milano; Switzerland: Representative: IPConcept (Schweiz) AG, Münsterhof 12, Postfach, CH-8022 Zürich; Paying Agent: DZ PRIVATBANK (Schweiz) AG, Münsterhof 12, CH-8022 Zürich.

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Information for investors in Belgium: The prospectus, the key information documents (PRIIPs-KIDs), the annual reports and the semi-annual reports of the sub-fund are available in French free of charge upon request from the investment company ETHENEA Independent Investors S.A., 16, rue Gabriel Lippmann, 5365 Munsbach, Luxembourg and from the representative: DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Strassen, Luxembourg.

Information for investors in Switzerland: The country of origin of the collective investment scheme is Luxembourg. The representative in Switzerland is IPConcept (Schweiz) AG, Münsterhof 12, P.O. Box, CH-8022 Zurich. The paying agent in Switzerland is DZ PRIVATBANK (Schweiz) AG, Münsterhof 12, CH-8022 Zurich. The prospectus, the key information documents (PRIIPs-KIDs), and the Articles of Association, as well as the annual and semi-annual reports, can be obtained free of charge from the representative.

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