



ETHENEA

Voting Report

For the 2021 calendar year

Marketing Communication



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Foreword

By exercising our voting rights, we support our portfolio stocks with a constructive view.

For ETHENEA Independent Investors S.A. (in its short form, ETHENEA), sustainability plays an important role in our investments. Both in the sense of a sustainable increase in value and taking so-called ESG criteria, Environmental, Social, and Governance aspects, into account. A company can only be successful in the long term if it uses its resources more efficiently, treats its suppliers, employees, and customers fairly, and operates with integrity.

That is why, in addition to traditional financial indicators, we also integrate ESG factors into our investment decisions as part of our portfolio management. We do this on the one hand via product-related exclusions, for example coal and tobacco, as well as on the basis of individual ESG analyses and the associated minimum requirements. Thanks to these filters, and the supplementary analyses, when constructing the fund portfolios, we focus from the outset on companies that meet our sustainability requirements – in the sense of both definitions.

Nevertheless, it is important to continue to accompany the development of these companies, even after the initial investment decision. In addition to dialogue with the management of the companies in which we are invested, we also use our voting rights at annual general meetings (AGMs) as a further communication channel. While dialogue provides an opportunity to exchange viewpoints, it is not usually of a formal, binding nature. Voting at an AGM, on the other hand, has precisely these characteristics. It is therefore a powerful tool to influence company direction.

As an active asset manager, we want to exercise this right diligently – in a fiduciary capacity in the interest of our investors, as well as with due regard to our internal principles. In the 2021 calendar year, we have intensified and systematised our efforts in this regard. With this report, for the first time, we aim to create greater transparency with regard to our voting behaviour.



1. Principles for the exercise of voting rights

We consider it important to exercise our voting rights in the interest of our investors. To this end, we look at a wide range of performance indicators.

The principles of how we act are listed in our [Guideline for Exercising Voting Rights](#). These constitute the framework of our voting behaviour, within which we make our voting decisions, based on the individual company context.

ETHENEA¹ endeavours to participate either directly or via proxy voting in the AGMs of all companies in which we hold single stock positions with voting rights.

¹The multi-asset funds from ETHENEA Independent Investors S.A. comprise the three Ethna Funds – the Ethna-DEFENSIV (bond-focused), the Ethna-AKTIV (balanced), and the Ethna-DYNAMISCH (equity focused), as well as the global macro fund, the HESPER FUND – Global Solutions.



2. Exercise of voting rights

In the 2021 calendar year, we – ETHENEA Independent Investors S.A. – exercised our voting rights at 43 AGMs. With six AGMs not attended, our participation is around 88%. The number of relevant AGMs differs significantly between the funds, and results from their different focuses, as well as the respective weighting of individual stocks, particularly during the peak AGM season in the spring/early summer of each year.

Ethna-DYNAMISCH

The most offensive of the three Ethna Funds, the Ethna-DYNAMISCH, at its core consists of a long-term equity portfolio. At the end of the previous calendar year, it comprised 40 single stocks. As a result, this mandate accounted for the majority of the AGMs, namely 32. The difference between the number of single stocks in the portfolio and the participation in AGMs is due to four positions that we only added to the portfolio after the respective AGM, two companies in which we hold non-voting preference stocks, and another two companies whose AGMs we were unable to attend due to technical limitations in the voting system.

Ethna-AKTIV

The equity allocation of our flagship fund, the balanced Ethna-AKTIV, tends to be lower. In addition, it is flexibly managed – depending on the market situation – via single stocks, funds, ETFs, and derivatives. During the period between April and July 2021, the peak season for AGMs, the number of single stock positions with voting rights was relatively low. In total, the Ethna-AKTIV participated in nine AGMs in the 2021 calendar year. Three AGMs of companies that were facing a divestment decision due to portfolio restructuring were intentionally omitted.

Ethna-DEFENSIV

The Ethna-DEFENSIV is bond-focused and has the most defensive risk profile of the Ethna Funds. In line with its mandate, the equity allocation is low. In addition, the equity exposure is predominately managed via ETFs. In the past calendar year, the Ethna-DEFENSIV had no single stock positions with voting rights in its portfolio.

HESPER FUND - Global Solutions

Our global macro fund largely manages its equity exposure through ETFs and derivatives. In addition, the HESPER FUND – Global Solutions follows a highly flexible, opportunistic approach. As a result, the number of single stock positions with voting rights is low. In 2021, the Portfolio Managers voted at two AGMs. In addition, another AGM was not attended due to a divestment process.

At these 43 AGMs, we cast our votes on 339 agenda items. We voted in favour of the majority of the agenda items – 314. This includes two shareholder resolutions that we supported contrary to the management recommendation (see the Berkshire Hathaway Inc. extract on the right). The low number of votes in opposition to management recommendations is due, in part, to the fact that many agenda items, such as ratification of the auditor, are formalities that are generally not controversial for our portfolio stocks. Due to our stock selection process, which already pre-emptively considers sustainable factors, for example sound corporate governance and adequate internal control measures, our need for intervention is low, even in the case of more complex, company-specific agenda items.

We voted against 25 agenda items. These were exclusively shareholder proposals. We considered these shareholder proposals to be unreasonable and, in some cases, even absurd (see for example the

extract on Salesforce.com Inc. on the right).

In our view, these votes are those that sustainably support the value of the respective companies – entirely in line with our mandates and in the interest of our investors. With this maxim in mind, we voted on 339 agenda items at 43 AGMs in the 2021 calendar year. In the future, we would like to continue to make use of our voting rights in order to support our portfolio stocks with a constructive view.

Example extracts on the exercise of voting rights

A vote by the Ethna-DYNAMISCH against the management recommendation of Berkshire Hathaway Inc., 01/05/2021

A shareholder proposal called for Berkshire Hathaway to disclose climate-related risks and opportunities, in line with the internationally-recognised reporting standard of the *Task Force on Climate-related Financial Disclosures* (TCFD). We recognise that individual companies within the holding company are already engaged in advanced ESG reporting. Nevertheless, we voted in favour of this shareholder resolution – contrary to the management recommendation. This is because we believe that market transparency, including with regard to various ESG aspects, is the basis for an efficient allocation of resources. To this end, it is essential to establish a uniform reporting standard, i.e. in the context of Berkshire Hathaway, across the entire holding company. We informed management in advance of the reasons for our vote.

A vote by the Ethna-DYNAMISCH in line with the management recommendation of Salesforce.com Inc., 10/06/2021

A shareholder proposal put changes to Salesforce.com's legal form – from a *Delaware Corporation* to a *Delaware Public Benefit Corporation* – to a vote. The goal, according to the shareholder proposal, is to change from a shareholder-only approach to a broader stakeholder approach. In this case, we followed the management recommendation and voted against the proposal. Salesforce.com is already imbued with philanthropic and environmental principles and practices, and is considered one of the most sustainable companies in the US. We therefore see no reason to support the risks inherent in the change of legal form, without any offsetting benefits.

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Note: The most important technical terms can be found in the glossary at www.ethenea.com/glossary 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 Investor Information Document (KIID), 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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