ACTIVE OWNERSHIP
REPORT 2024

Active Ownership

Flossbach von Storch

ACTIVE OWNERSHIP
REPORT 2024

ACTIVE OWNERSHIP
=
ENGAGEMENT
+
VOTING

As **active** owners, we see ourselves as constructive sparring partners for the companies we invest in and responsible trustees for our clients. In personal exchanges (engagement) we discuss socially relevant and critical issues for companies. **We lend weight to our position by exercising our voting rights**. **Within the framework of a dedicated** active ownership process, we analyse and accompany the development of our investments. Our analysts and portfolio managers are responsible for all measures as an active corrective from a single source. Detailed information can be found in our guidelines on the exercise of voting rights and regarding our engagement, as well as our Sustainability Policy on the following websites: www.fvsinvest.lu and www.flossbachvonstorch.de/en.

Active Ownership Process

PHASE 1

Identification of conflicts that permanently impair the value of the company

PHASE 2

Prioritisation of conflicts according to the strength of their impact on the company value

PHASE 3

Development of a meaningful roadmap for resolving conflicts

PHASE 4

Constructive discussion of the roadmap with the Executive Board

PHASE 5

Observation and **evaluation** of the changes achieved

PHASE 6

Exercise of voting rights* or disposal of the holding if targets are not met

Divestment

* Only relevant for Flossbach von Storch mutual funds

Our role as an active owner

Engagement and voting are important prerequisites for sustainable investing.

As trustees of our clients' assets, we consider it our duty to actively represent their interests in our portfolio companies. For us, the exchange with the management of our investments, as well as the exercise of our voting rights, are important components of our work, which have an impact on the quality assessment of our investments.

As part of a dedicated active ownership process, we analyse and accompany the development of our investments. ESG risks that could have a long-term impact on their business development are thus identified at an early stage and discussed intensively with the management. We see ourselves as a constructive sparring partner (where possible) or as a corrective function (where necessary) and see our task as making constructive suggestions in order to accompany the management in the implementation of necessary measures. If the critical points for us are not sufficiently perceived and there are no signs of a positive development in the long term, we reduce or sell the holding.

We lend weight to our position by exercising our voting rights. In doing so, we support all measures that permanently increase the value of a company in the interests of investors and vote against, or have votes cast against, those that run counter to this goal. As soon as we hold more than 0.25 per cent of a company's share capital, or when significant agenda items are up for decision, we exercise our voting rights in accordance with defined criteria and in line with our investment philosophy.

It is our mission to fully understand and continuously follow all the companies in which we invest. We therefore rely on a focused investment universe and concentrate on a limited number of companies; this gives our analysts and portfolio managers both the opportunity and sufficient time to ensure progress and compliance with jointly defined objectives.

Our portfolio management can only invest in securities that are part of the investable universe. This procedure ensures a consistent quality assessment of invested securities.

Sustainability has always been an elementary component of our investment process.

Foreword

As a long-term investor, we ensure that "our" companies manage their negative impacts responsibly.

The year 2024 posed major challenges for companies in view of the numerous geopolitical and economic risks. A forward-looking management is particularly important in difficult times. In our meetings with companies, we were therefore primarily focused on their strategic orientation, the resilience of their business models and their business development.

There was relatively little discussion of controversial environmental and social issues in 2024. We see this as a positive sign; it speaks for the selection of the invested companies and our analysis process. As a long-term investor, we pay attention to how "our" companies deal with their negative impact on the environment and society. This enables us to identify financial risks at an early stage and counteract them.

In terms of our focus on greenhouse gas emissions, this particularly affects companies with energy-intensive business models. They need to make their processes more efficient and innovative, and gradually switch to renewable energies, in order to remain competitive in the long term and avoid rising costs. Companies that understand their climate risks can set realistic climate targets. On page 9, you can read more about the benchmarks we use and the ways in which we, as an active owner, work with companies to achieve improvements.

Social standards, such as respect for human rights, occupational health and safety or corruption prevention, are difficult to measure because they are often based on internal company processes. International standards, such as the principles of the UN Global Compact, provide companies with a point of reference. Despite clear guidelines and processes, incidents are not always avoidable, especially in complex, global supply chains. In such cases, the success of an engagement process – i.e. the dialogue we conduct with companies to clarify and improve any grievances – also depends on whether we ask the right questions and formulate the right demands. We explain why on page 17.

The transparency of a company plays an important role in all of our assessments. A large part of our dialogue with companies in 2024 therefore focused on promoting transparency. Read more on page 23.

Engagement 2024

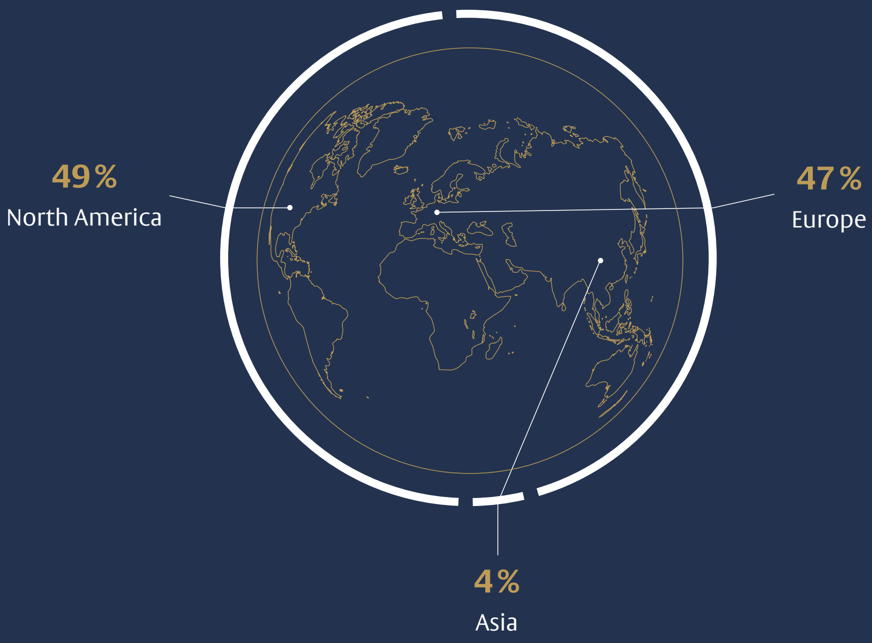
Interaction with companies

During the reporting period, we conducted more than 250 interviews with around 145 companies in 17 countries. In 52 per cent of cases, the focus was on topics relating to company management, business development and strategy. **Environmental issues were discussed in 34 per cent of the meetings, while social aspects were addressed in 18 per cent.**

In order to promote responsible behaviour, we supported companies in improving their risk prevention measures. These included (1) setting targets to reduce negative impacts, particularly greenhouse gas emissions, and (2) improving monitoring processes for international standards, and (3) disclosing sustainability indicators.

On the following pages, you can read why these three aspects are so important to our active ownership philosophy and have shaped our engagement over the past year.

Geographical distribution of our engagement activities (key areas)



Greenhouse gas reduction targets

When is a 'yes' a 'yes'?

Companies' climate strategies must be scrutinised in order to assess the credibility of a reduction initiative.

Are companies allowed to advertise that they offer "climate-neutral" products? In July 2024, the German Federal Court ruled that the term "climate-neutral" cannot be used in product advertising unless the company explains exactly what it means. This ruling is part of a broader debate on the use of terminology to communicate climate targets and strategies, which Flossbach von Storch also addressed last year.

The confectionery manufacturer Katjes was sued by the German Centre for Protection Against Unfair Competition for describing its own products as "climate-neutral". The German Federal Court of Justice agreed with the plaintiff that the term could lead consumers to believe that no greenhouse gases were actually emitted during production. In fact, only CO_2 offsets, such as reforestation projects, are paid for through a partner organisation. The need for precision required by the ruling illustrates the tensions involved in communicating climate change strategies. While seemingly concise terms, such as climate-neutral, net-zero or even carbon-negative, are euphemisms designed to convince stakeholders of a company's sense of responsibility, they cannot be interpreted without further context. Companies using these terms may differ significantly in the level of ambition of their climate strategies. The use of compensation instruments (in their qualitative diversity) can also be assessed differently depending on other measures and business areas.

For our sustainability analysis last year, we therefore set up a more detailed categorisation when recording climate targets. Instead of a simple ‘yes’ to the question of whether a reduction initiative exists, this ‘yes’ is further specified. The aim of this is not only to record and compare the level of ambition and credibility of companies' climate strategies. It also provides us with additional information on the existing problem areas of an industry or company.

From catchy claims to plain English

Over the past few years, we have observed a development process in the area of climate targets at many (listed) companies and also within our investable universe. After the Paris Agreement entered into force in 2015, many companies announced their intention to contribute to limiting global warming to well below 2°C, and preferably to 1.5°C, above pre-industrial levels. Terms such as 'Paris-aligned' or 'in line with the Paris Agreement' were announced together with net-zero commitments by 2050 or earlier. While this kind of commitment is important in principle for a real transformation of the economy, it soon became clear that an unspecific commitment that cannot be verified for another 30 years delays necessary measures and makes it more difficult to verify progress from the outside.

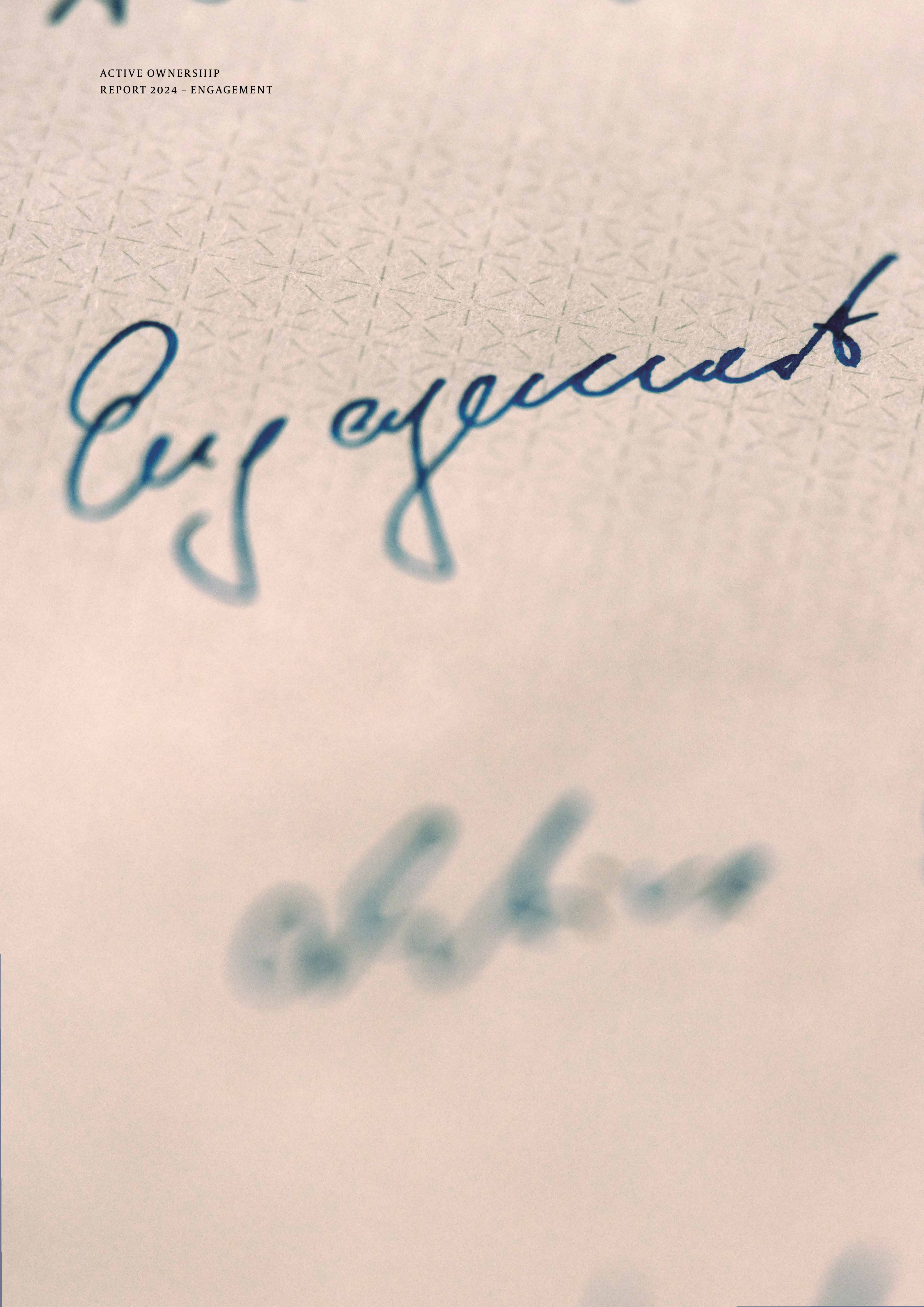
Initially, the use of the term 'net-zero' did not require any clear indication of how much reduction and how much compensation (e.g. through certificates) was planned, and in view of the low compensation costs, it led to hasty claims. To address these problems, the publication of interim targets (e.g. by 2030), the setting of a base year against which progress is measured, and the application of reporting standards have increasingly become best practice. To avoid a proliferation of interpretations of 'in line with the Paris Agreement', the Science-Based Targets initiative (SBTi*) developed specific criteria and guidelines for developing greenhouse gas reduction targets. Companies can have their targets validated by the organisation and thus signal that they meet the organisation's criteria.

* **The Science-Based Targets initiative (SBTi):**

The SBTi is an initiative of renowned environmental non-governmental organisations founded in 2015. As a setter of standards, the SBTi develops criteria and methodologies for setting climate targets that are aligned with the findings of the Intergovernmental Panel on Climate Change (IPCC) and the Paris Agreement and are therefore referred to as 'science-based'.

Companies can submit a commitment to the SBTi to achieve 'science-based' targets and then, as a rule, have to present these for validation within two years. The SBTi reviews, validates and publishes the submitted near-term targets and, if applicable, the companies' longer-term net-zero targets.

ACTIVE OWNERSHIP
REPORT 2024 – ENGAGEMENT



What remains obscured at first glance

The majority of companies in which we invest have formulated targets in line with the Paris Agreement.

Within our company analyses, we were able to observe a very good level of ambition in the climate targets of 'our' companies by the end of 2024. At the overarching level, 80 per cent of all investable companies have already formulated targets in line with the Paris Agreement. Of these, around three quarters are working with the SBTi and are aligning themselves with the standards. Around a quarter of all target-setters have even set SBTi-validated net-zero long-term targets in addition to interim targets.

We assign the targets to eight categories. Although a certain hierarchy is automatically inherent in the categorisations (e.g. SBTi-validated net-zero targets indicate an extremely high level of ambition), the overall context is relevant for deriving an overall assessment and, if necessary, subsequent engagement. For example, we do not necessarily expect to work with the SBTi if there are reasonable grounds for not doing so or if the business model as a whole has a low greenhouse gas significance. In cases where companies have so far 'only' made 'net-zero' claims (14 per cent of the companies in our investable universe with climate targets), we have begun to ask for precise definitions or more specific targets in recent years.

If companies – in our case around 12 per cent of those setting targets – report targets that are comparable with SBTi criteria but do not (yet) validate them, this may indicate that the accounting of indirect emissions (Scope 3) has not yet been completed or that no standard has yet been developed for the industry (fossil fuels). Here, too, we have begun to substantiate the information in discussions with the companies.

When is a 'no' a 'no'?

For some business models, reluctance to publish net-zero targets does not necessarily indicate a lack of commitment and responsibility. Currently, around eight per cent of our investable universe has not yet formulated any climate targets. We are using analyses and direct discussions to shed light on the reasons for this. Some companies are already working on an internal climate strategy. If these are companies with energy-intensive business models, we prioritise our engagement in order to promote the timely publication of the given relevance. We encourage companies with

A reluctance to publish climate targets does not necessarily indicate a lack of commitment on the part of companies.

low greenhouse gas emissions to implement reduction measures within their means. If there are no long-term financial risks for the company, we will also accept a 'no' as an answer.

And then there are cases in which there are simply no technical solutions for large-scale decarbonisation yet, as in the transport industry (e.g. lorries or aeroplanes). This means that companies lack measures for reducing greenhouse gases in the short term, which is a basic prerequisite for setting realistic targets. In the case of our investments, this applies, among others, to the American freight company Old Dominion Freight Line, which specialises in long-distance truck transport. The company has not yet set itself any climate targets, which prompted us to enter into direct dialogue with it to find out more about the reasons for this. In the discussions, which started as early as 2023, the company credibly demonstrated that the reduction of greenhouse gases is a relevant topic for them, and one on which they are working intensively. However, there are currently no market-ready alternative drive systems that are suitable for long-haul transport. In order to help advance the development of these innovations, Old Dominion is participating in tests of fossil-free drive systems. In addition, efficiency measures, such as route optimisation, are already being implemented in order to achieve greenhouse gas reductions within the scope of current possibilities. Our positive assessment of the company's approach – despite the lack of climate targets – is underpinned not least by the high level of transparency in its sustainability reporting. Not only greenhouse gas emissions are reported, but also detailed efficiency metrics and the fuel mix. These are important parameters for us to monitor developments. The latest report from 2024 also provides an update on the status of testing with all-electric trucks.

Recognising and calling for progress

The views on adequate climate targets must constantly be adapted to new findings and circumstances.

Granularity in the recording and evaluation of climate targets, or the lack thereof, has three decisive advantages for us: firstly, we get a better assessment of the level of ambition and the willingness of companies to adapt to current knowledge and standards. Secondly, we get information about the main problems and obstacles that need to be overcome and the company's current status in its efforts to address greenhouse gases. Thirdly, we can better determine the company's progress (or regression) in terms of greenhouse gas targets. This is because a ‘yes’ to reduction initiatives rarely leads to a ‘no’. However, we are increasingly seeing a vague net-zero claim developing into a concrete target path with measurable intermediate steps, or the intermediate targets being expanded to include validated net-zero targets. Such progress cannot be identified or demanded with a simple ‘yes’. The same applies if no climate targets are set, because a ‘no’ does not necessarily mean a ‘no’ to greenhouse gas reduction.

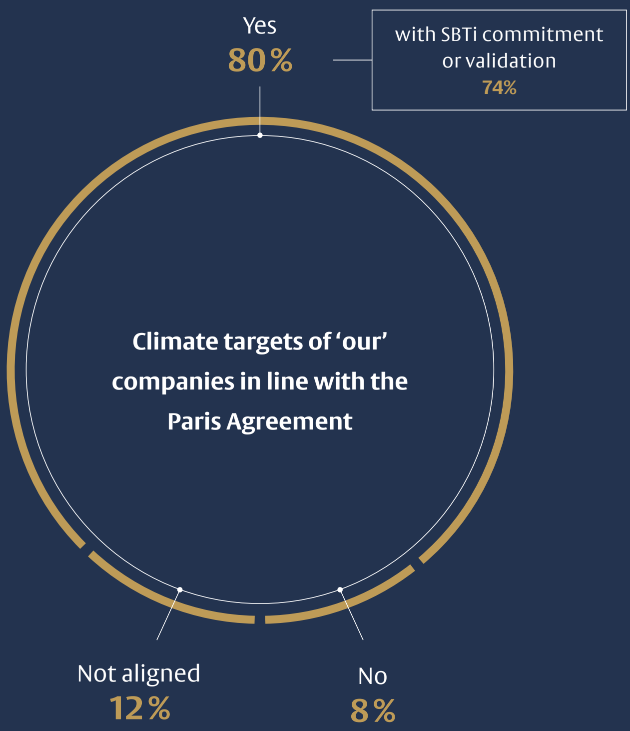
Developments, best practices and standards in relation to greenhouse gas targets will continue to change in the years to come. Accordingly, the way companies deal with their targets and ambitions, as well as our evaluation criteria, must also be continuously reviewed. After all, the concepts of adequate targets must constantly be adapted to new findings and circumstances. Currently, relevant guidelines, such as the Greenhouse Gas Protocol – the standard work for calculating greenhouse gas emissions – are being revised and new standards will presumably be published in 2026. The SBTi guidelines are also currently being revised in technical working groups and multi-stakeholder processes. The final guidelines could result in significant changes in the understanding of what makes a ‘yes’ an ambitious ‘yes’. This is one more reason to continue to focus intensively on the positioning of companies in our analyses and company discussions.

Reduction of greenhouse gas emissions

In our investable universe, only 23 companies (eight per cent) did not set themselves targets for reducing greenhouse gas emissions in the year under review. In 2023, the figure was still 38 companies. The improvement is due to movements in the investable universe caused by companies joining or leaving the index, and eight companies have since set themselves binding climate targets. As part of our in-house sustainability analysis, we found that all companies are addressing the greenhouse gas emissions of their business activities despite the lack of climate targets. Almost all companies already publish data points and have initiated individual reduction measures.

We continued the engagements we started in 2023 with six companies in 2024 and initiated a dialogue with two companies in order to encourage them to set long-term climate targets. In three cases, the dialogue has already been concluded with a positive outlook; the companies have promised to publish data and/or climate targets in the near future. We are monitoring developments and compliance with these announcements and remain in dialogue with the remaining companies.

As part of our in-house sustainability analysis, we assess the climate initiatives of 'our' companies. The adjacent distribution shows the assessment of all companies in our investable universe. 'Yes' refers to companies with targets that are in line with the Paris Agreement. 'SBTi commitment or validation' includes those companies in the "yes" category that have committed to setting targets with the SBTi or have already had their targets validated. "Not aligned" includes companies with climate targets that do not yet comply with the Paris Agreement based on our methodology. "No" includes companies that have not yet published reduction targets.



Solution-oriented commitment

Are we asking the right questions? Are we making the right demands?

Engagement is one of the most effective ways of influencing the "behaviour" of companies.

After two years of intense criticism and investigations into possible forced labour allegations at a joint venture plant in China's Xinjiang province, Volkswagen AG (VW) sold its shares in the site in November 2024. Is this a good outcome for sustainability-oriented investors? Have the affected portfolios become more sustainable as a result of this decision? The case of the German carmaker, which Flossbach von Storch has also been examining closely, highlights some of the key challenges and fundamental questions regarding the objective and purpose of sustainability engagement.

Engagement is intended to make the expectations of investors clear to the investee companies. Along with the exercise of voting rights, it is one of the most effective ways of helping to shape or influence the 'behaviour' of target companies as investors. As such, the dialogue between investor and company has always been an important, sometimes corrective, stabilising and monitoring instrument. In recent years, discussions about sustainability expectations have increasingly become the subject of engagements. In this context, investor pressure can be an important tailwind for the implementation of sustainability strategies in companies. However, with the increasing necessity for investors to present themselves and their own sustainability successes, demands and engagement dynamics have developed in some cases that need to be questioned.

The VW controversy

In November 2022, a leading rating provider rated Volkswagen as a 'fail' in terms of compliance with the principles of the UN Global Compact (UNGC) due to a revised assessment methodology. Rating providers analyse companies on the basis of various sustainability criteria. A 'fail' rating indicates that the data provider believes there have been serious violations of the UNGC principles. Many fund providers use such ratings as a basis for their investment decisions and exclude companies with negative ratings from their portfolios. Cases involving vulnerable groups, such as the oppressed Uyghur minority, were classified as more severe after the change in methodology than before. For example, the long-discussed case of possible forced labour of Uyghurs in a factory in China in Xinjiang province was re-evaluated and dropped from a 'pass' (highest level) to a 'fail' (worst level). VW operated this plant in a joint venture with the Chinese carmaker SAIC and held a minority interest of 40 per cent in the site. The economic contribution of the plant to VW was extremely small. Nevertheless, the downgrading of the data provider caused investors to refrain from investing in or sell VW shares or bonds in line with their own sustainability guidelines – and they were happy to do so in a way that attracted media attention. After VW had an external audit carried out on site in December 2023 and the results did not confirm the allegations, the rating agency upgraded the case again less than 12 months later, so that it was only listed as a 'watch list' (medium level). However, the pressure on VW from investors and NGOs remained. The credibility of the audit was questioned in the media. In autumn 2024, VW finally published a press release reporting that the cooperation between SAIC and VW was being intensified – but the shares in the plant in Xinjiang had been sold, so that there was no longer any involvement. The data provider changed the status back to 'pass'.

This case shows that public pressure and investor engagement can lead to change. This is good news with regard to the effectiveness of engagement. However, the outcome outlined above is not necessarily a win for people who are actually affected by human rights violations. The withdrawal of a Western company from the region or the expansion of the joint venture elsewhere entails further human rights risks. The reactions of the capital markets (divestment) and the demands of the engagements (clarification or divestment of the plant) show a typical instinct in dealing with controversial cases, which falls short in particular when complex social and human rights aspects are involved.

Especially when it comes to complex issues, capital market reactions (divestments) fall short.

Measures are effective when they are tailored to the respective context.

Assess, compare, conclude

For investors who want to act sustainably, demonstrating and proving their morals is a major challenge. The complexity and sometimes subjectivity of sustainability issues makes it difficult to identify clear progress or performance indicators. Companies face similar difficulties when they want to account for their social measures. The challenge is to show the actual impact on people and nature, since the sheer number or description of measures does not allow any meaningful statement to be made. The number of audits carried out, for example, says nothing about the conditions on the ground. At the same time, the number of divestments for sustainability reasons says nothing about the investor's morals. In corporate analysis, however, such data is often the best information that can be obtained. It makes it possible to measure corporate activities, to benchmark them against others and, for example, to make 'good' investments or sell 'bad' investments using the best-in-class approach.

However, in order to evaluate the actual impact of the measures described, information and experience in the specific (local and business-related) context is required. For example, effective measures to prevent child labour require background information about the realities of family life on the ground. Remedial measures cannot be rolled out uniformly, but are effective when they are tailored to the respective context. In some cases, companies and organisations work with local stakeholders and organisations for years to develop and implement joint solutions. Continuous evaluation and adaptation is a sign of improvement. However, the success of these measures is difficult to summarise in uniform data and often only becomes visible over a longer period of time.

Understand, consolidate, enhance

Different perspectives help us to ask more precise questions and to better assess circumstances.

A key responsibility of readers of sustainability-related information is therefore to carefully check their interpretations and conclusions. This is evident, for example, in the question of whether a high number of cases reported to complaints mechanisms, such as whistle-blower systems, is a good or a bad sign for a company's handling of a given risk. In principle, the cases that are received offer an opportunity to identify and remedy actual grievances. To achieve an impact and to be sure that the complaints mechanisms are accepted and work effectively, a large number of complaints should therefore not be viewed negatively across the board. What is more important is how the cases received are subsequently dealt with.

Nevertheless, many market observers instinctively consider companies with a 'clean record' (few complaints or controversies) to be better. How a 'clean record' comes about – whether through a lack of opportunities to file complaints, a lack of NGO attention, intimidated employees or because there are actually no complaints – is not readily apparent from the outside. Interpreting social key figures therefore inevitably requires a willingness to engage with the given context. Questions regarding the interface between business and human rights cannot be answered on the basis of a single set of criteria. In order to make a well-founded assessment about the 'appropriate' way of dealing with a controversy, a dialogue needs to be established with various stakeholders – for example, with scientists, NGOs and other interest groups.

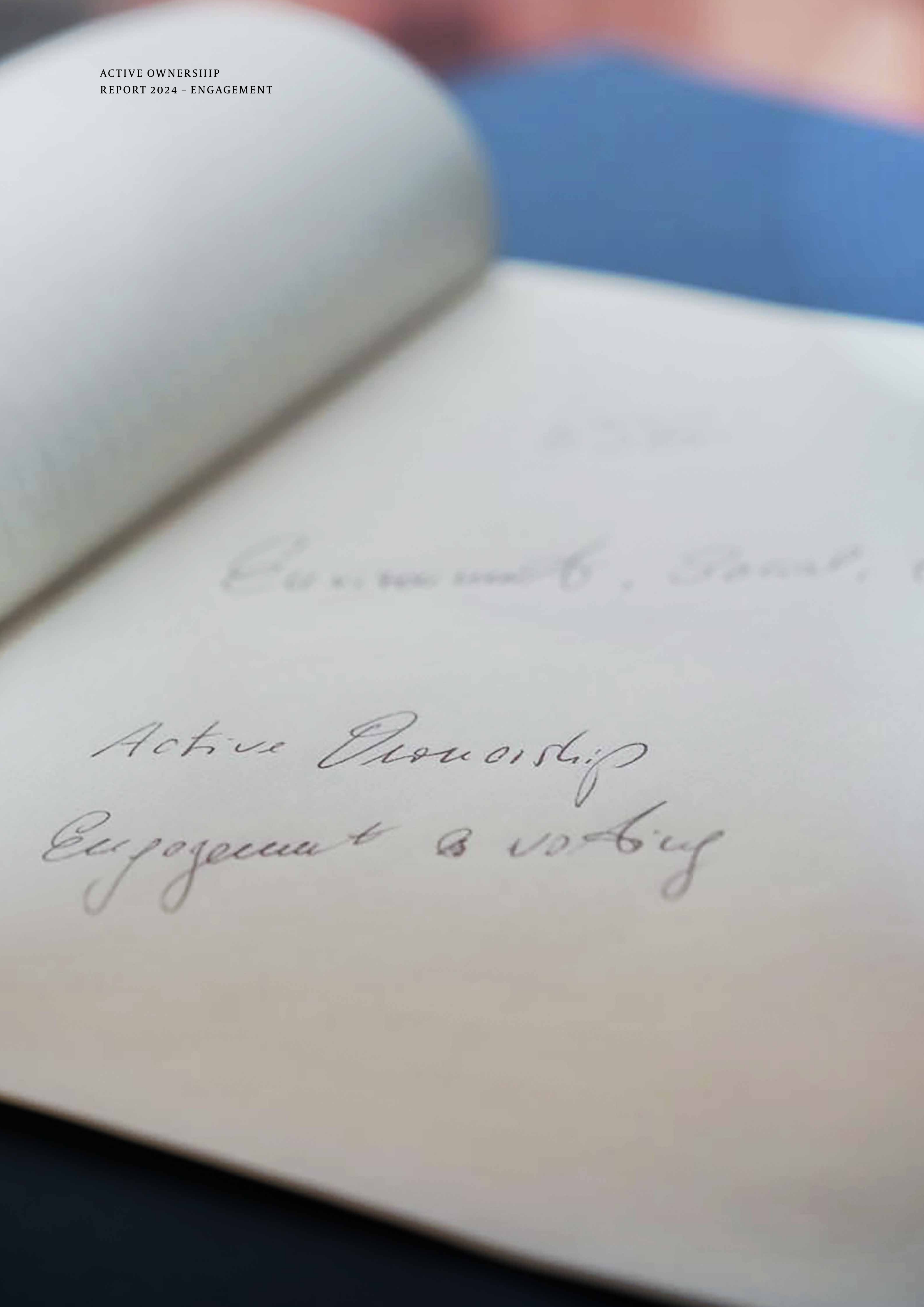
The different perspectives help us to ask more precise questions and to better assess circumstances. In 2024, we participated in a conference on 'Business & Human Rights - New Scientific Approaches' held by the German Institute for Human Rights and the Technische Universität Bergakademie Freiberg, as well as in a roundtable hosted by Helpdesk Wirtschaft und Menschenrechte (Helpdesk on Business and Human Rights) and the UN Global Compact Network Germany on the topic of 'Children's Rights in the Due Diligence Process'. We also liaised with Global Child Forum, which assesses companies' performance in relation to children's rights.

We believe it is important to be present as an investor in our companies.

Persevere or disinvest?

Nevertheless, escalation measures, such as rating changes or divestments, as well as public criticism of the conditions, are an important instrument – for us too. They attract the necessary attention and lead to intensive discussions. Credible threats arise, as do incentives for the company affected by the controversy to deal extensively and quickly with the case under discussion. The sale of shares or the termination of supplier relationships, for example, can be an appropriate reaction in order to deploy resources sensibly (including in the case of VW). However, they should not become a hasty demand and should not automatically be understood as a manifestation of morality. Therefore, we do not uncritically follow the recommendations of rating providers. These can be an important source of information, but they are not a substitute for our own analysis. Our escalation process provides for intensive cooperation with the portfolio company concerned in the event of serious controversies, in order to ensure that the incidents are handled responsibly and to work towards targeted improvements. At the end of this process, we may decide to divest if we determine in the course of the discussions that the company is not responding appropriately to the incidents.

In the case of VW, we are not an owner, as we only hold bonds of the company. However, we have been in regular contact with the company for several years. The sale of the plant in Xinjiang will not change this, because instead of a quick divestment, we have supported a careful examination and an intensive discussion of the local conditions in our discussions with VW. We will therefore continue to engage with the company and monitor the situation. This is particularly important given that the collaboration with SAIC in China is to be expanded. Exchanges about measures taken and experiences in the field are particularly valuable. The informative value of typical measures, such as audits, which are very reliable under other circumstances, reaches its limits under the given conditions. According to international organisations, it is almost impossible to carry out an independent audit in the Xinjiang region of China. We therefore consider it important to maintain our presence as an investor.


Active Ownership
Engagement & voting

Data transparency

Data is the new gold – and sometimes just as hard to find

Data enables a realistic assessment of risks. It also helps identify opportunities.

Sustainability is neither clear-cut nor simple. A well-founded examination is essential for us to understand the many facets, draw the right conclusions and be able to support our companies as a valuable sparring partner. Our in-house company analysis forms the basis for this. Data transparency is crucial for this: it enables a realistic assessment of risks, facilitates comparison with competitors and supports the identification of opportunities.

But what can you do if a company publishes no or insufficient information on sustainability aspects? A lack of data is not necessarily a sign of poor sustainability performance – it often results from a lack of reporting requirements or an underdeveloped sustainability strategy. Direct dialogue with companies can help to identify the reasons for a lack of transparency and to obtain well-founded information for your own assessment. Simultaneously, these exchanges provide an opportunity to work towards improving the quality and coverage of relevant sustainability indicators. After all, data alone is not enough – it must be comparable, reliable and standardised. Only then can progress be measured.

Methodological adjustments make comparability more difficult

The area in which companies provide the most data on sustainability factors is greenhouse gas emissions. In our investable universe, 96 per cent of companies already publish data on this. Most companies base their data measurement on the Greenhouse Gas Protocol; it is considered the global standard, but still leaves companies leeway in the use of, for example, emission factors or the locations included. Methodological adjustments also mean that developments cannot be assessed easily or can only be assessed at a later date. In particular, reporting on Scope 3 emissions, which include emissions from the entire value chain – from the extraction of raw materials to their use by the end consumer – is often still a work in progress. This means that additional categories will be successively included (e.g. inclusion of leasing or investments) or the estimation methods used will be changed over time.

Blind spots in sustainability reporting

In many environmental and social areas, best practice standards are not yet sufficiently widespread or developed.

The already extensive collection and publication of greenhouse gas emissions data stands in stark contrast to the remaining environmental areas of biodiversity, water and waste, and social aspects such as employee matters and compliance with international standards. In these areas, best practice standards are not yet as widespread. However, standards – including those relating to target setting – are being developed (e.g. by the Science Based Targets Network - SBTN).

Our commitment, launched in 2023, to improve the disclosure of environmental and social data and information was also a key point in our discussions with 'our' companies in 2024. We exchanged information with around 70 companies on environmental factors or plans to better understand strategy expansions. Of these, around 35 companies were also covered by aspects of social factors, in order to work towards a publication or an increase in the level of detail of anti-corruption and human rights guidelines, to find out the reasons for fluctuations in employee turnover or to discuss the implementation of monitoring processes.

Voting 2024

Voting history

Number of Annual General Meetings we attended

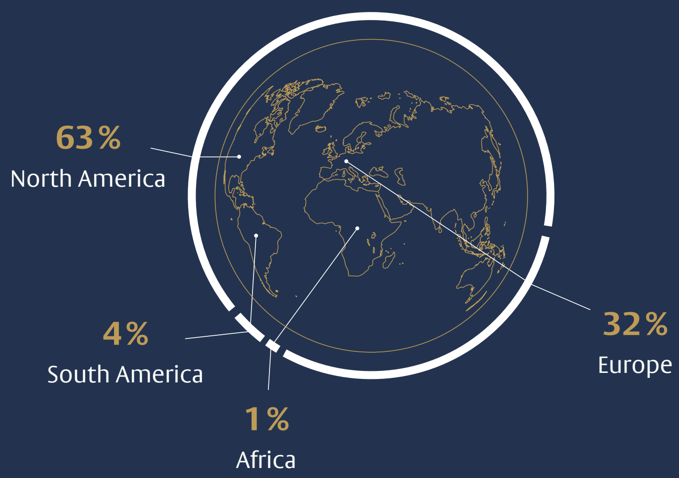
2021	2022	2023	2024
48	69	70	69

The most frequent items voted on at Annual General Meetings relate to corporate governance, such as the election of members of the Supervisory Board and the discharge of the Executive Board and Supervisory Board; finances, such as the approval of the annual financial statements and the remuneration systems for the Executive Board and Supervisory Board; or individual strategic orientations, such as capital measures or amendments to the Articles of Association.

So far, sustainability issues have not been discussed here. The main reason for this is the regulatory framework for Annual General Meetings, according to which sustainability issues are generally part of the operational responsibility of the Executive Board and therefore do not have to be decided on directly by the shareholders. Explicit voting points on social or environmental issues are therefore generally only found in shareholder motions. In 2024, we exercised our voting rights on a total of 1,060 voting items. Only 17 shareholder proposals dealt with environmental issues and 55 with social issues (see excerpts on the following pages).

In order to fulfil our role as an active owner in the best possible way, we use the opportunity to vote against management if we identify inadequate handling of sustainability aspects or controversies, such as at Activision Blizzard in 2022. In this way, we strengthen our positions with the companies with which we hold dedicated discussions. In addition, the exercise of voting rights can be used as an instrument in individual cases if there is no direct access to the company or no active engagement is currently taking place, as was the case with Meta in 2024.

Geographical distribution of our voting activities (key areas)



Extract of exercise of voting rights 2024

Amazon.com Inc.
Seattle, Washington, USA
Annual General Meeting on 22 May 2024

- **Shareholder proposal regarding the customer due diligence report**
- **Shareholder proposal on the human rights impact of facial recognition technology**

Measures to comply with UNGC and OECD guidelines are a prioritised aspect of our analysis and engagement. A report can provide more information on how to deal with the risk of potential human rights impacts from misuse of Amazon technology. We have therefore agreed to both shareholder proposals.

Shareholder proposal regarding the report on lobbying activities
According to the proposal, information about the organisations Amazon supports and their programmes should be made public so that it can be compared with the company's own goals and programmes, particularly its climate change initiatives. In principle, we do not consider disclosure of this type of management decision to be necessary. In the case of Amazon, however, we consider some aspects of the climate protection strategy to be too unspecific. A comparison of the supported organisations and their respective goals would give us more information on the credibility and stringency of its own climate protection initiatives.

- **Shareholder proposal regarding the report on diversity-related equal pay**
- **Shareholder proposal regarding the report on working conditions**
- **Shareholder proposal regarding the assessment of freedom of association by a third party**

With around 1.5 million employees, Amazon is one of the largest employers in the world. The company has long been criticised for its working conditions and restrictive measures towards employee organisations. In our analysis, we negatively assessed the handling of employee controversies. In addition, hardly any indicators on the workforce are published. We have therefore voted in favour of the three shareholder proposals on employee matters in order to send a signal for greater transparency and to reduce the risk of breaches of international standards in the area of working conditions and reputational risks.

Shareholder proposal regarding the report on plastic packaging
In our analysis, we identified critical aspects in the reporting and objectives for packaging materials. We have therefore voted in favour of the shareholder proposal. Unlike its peers, Amazon has not yet reported on the quantity of materials used, meaning that the target set is also not comprehensible. Consequently, our agreement expresses our desire for more transparency. There were no majorities regarding the aforementioned shareholder proposals at the Annual General Meeting. However, the large number of votes in favour in some cases sends a strong signal to the management.

Apple Inc.
Cupertino, California, USA
Annual General Meeting on 28 February 2024

Shareholder proposal regarding the report on pay equity
We also noticed a lack of transparency regarding employee matters at Apple. Key figures, including those relating to pay inequality analyses or staff turnover, are not published. We therefore voted in favour of the proposal.

Shareholder proposal regarding the report on the use of artificial intelligence (AI)
The use of AI entails risks in relation to human rights, consumer interests and employee matters. Appropriate monitoring processes and guidelines are therefore a key aspect for us in dealing with standards-related risks. The proposal would provide more insight into the use of AI and the underlying policies, which we are in favour of.

Meta Platforms Inc.
Menlo Park, California, USA
Annual General Meeting on 29 May 2024

- **Shareholder proposal regarding the recapitalisation of the company**
- **Shareholder proposal to disclose voting results by share class**
- **Shareholder proposal authorising the Lead Independent Director to set the agenda**

(1) We use voting rights to express our position, particularly in companies that are difficult to reach through engagement. In Meta's governance structure, the dual share class system, which gives Founder and CEO Mark Zuckerberg multiple voting rights, makes it difficult for investors to exert constructive influence. We believe it makes sense for shareholders' voting rights to be linked to their economic stake in the company. We therefore voted in favour of the proposal, which seeks to establish a single share system with equal voting rights. (2) We also voted in favour of a proposal calling for the voting results to be reported separately by share class in order to differentiate which investors – insiders or non-insiders – are driving the results. (3) We also voted in favour of a proposal to give the Chair of the independent Supervisory Board more influence over the agenda.

- **Shareholder proposal for a report on risks of AI misinformation and disinformation**
- **Shareholder proposal for a report on human rights risks in non-US markets**
- **Shareholder proposal to assess the human rights impact of AI in targeted advertising**
- **Shareholder proposal for objectives and report regarding the impact on child safety**

As an operator of the world's most influential platforms and social networks, Meta plays a crucial role in society. In our view, this requires a special sense of responsibility when dealing with social risks. We have therefore voted in favour of the above-mentioned proposals on social aspects, which, among other things, aim to strengthen transparency on human rights risks, on how to deal with disinformation and on the risk of mental health impairments for young users. Given the large proportion of voting rights held by the

Founder and CEO, it is not surprising that the proposals did not secure a majority. Nevertheless, we believe that the exercise of voting rights sends an important signal.

Nike, Inc.
Beaverton, Oregon, USA
Annual General Meeting on 10 September 2024

Shareholder proposal regarding the report on pay equality
As with the previously mentioned proposals on diversity-related equal pay, we have also voted in favour of such a proposal at Nike to highlight the lack of transparency to date.

Shareholder proposal regarding a report on sustainability targets and strategy
We consider the company's climate strategy, in particular the targets, to be ambitious and positive. Nevertheless, we voted in favour of a proposal for a report on the sustainability targets and strategy, as this would enable us to better understand the strategy and thus better assess how it is being handled.

ACTIVE OWNERSHIP
REPORT 2024 – APPENDIX

Frederike von Tucher
Team Head ESG Investment Management

Frederike.vonTucher@fvsag.com

Frederike von Tucher joined Flossbach von Storch's Investment Management Team as an ESG Specialist in October 2019. She is responsible for Flossbach von Storch's sustainability strategy, the ESG analyst team, and the commitment to the internationally recognised UN Principles for Responsible Investment (PRI). A graduate in cultural management, she has spent her professional career over the past 15 years in various positions and sectors in the field of communication and project management.

Publisher:
Flossbach von Storch Invest S.A.
2, rue Jean Monnet
2180 Luxembourg, Luxembourg
Telephone +352.275.607-0
Fax +352.275.607-39
info@fvsinvest.lu
www.fvsinvest.lu

Executive Board: Christoph Adamy, Markus Müller, Christian Schlosser

Chairman of the Supervisory Board: Kurt von Storch

VAT number: LU25691460
Commercial register: Luxembourg No. B 171513
Competent supervisory authority
Commission de Surveillance du Secteur Financier (CSSF)
283, route d'Arlon
1150 Luxembourg, Luxembourg

Dated 31 December 2024

Flossbach von Storch