

# Voting Policy for general meetings



## **Exercise of voting rights is part of DEKA's engagement activities**

The principles below represent the Voting Policy for general meetings for the investment funds managed by Deka Investment GmbH, Deka Vermögensmanagement GmbH and Deka International S.A. In the interests of readability, the short form "Deka" is used in this document instead of the individual company names.

As one of the largest asset managers in Germany, corporate governance is very important to Deka, as it considers responsible corporate governance to be the key to achieving sustainable growth in the value of its investments. Representing the interests and voting rights of its fund investors vis-à-vis corporations is therefore very important to Deka. Voting rights are one of the most valuable shareholder rights and must be dealt with responsibly. Deka acts solely in the interest of the investment fund concerned.

Deka uses clearly defined criteria summarised in this "Voting Policy" to exercise shareholder voting rights directly or via proxies in a fiduciary capacity for its fund investors. If proxies are used, Deka authorises them to vote in accordance with specific instructions for individual agenda items.

The policy is based on the extensive experience that Deka has gained as a major fund provider and,

therefore, as a shareholder representative. It takes into account applicable laws, the current analysis guidelines for general meetings issued by the German Investment Funds Association (Bundesverband Investment und Asset Management – BVI), the German Corporate Governance Code, the DVFA Scorecard for Corporate Governance, the Guidelines for Sustainable Management Board Remuneration Systems, relevant provisions of ARUG II, international codes and applicable environmental and social standards. Deka also appropriately takes into account the principles for voting rights exercise recommended by the International Corporate Governance Network (ICGN) and the European Fund and Asset Management Association (EFAMA).

The principles set down by Deka create a framework for exercising voting rights that allows individual, transparent, verifiable decisions to be reached on a case-by-case basis. The policy is reviewed periodically and modified in accordance with current developments. Deviation from the policy is possible for companies domiciled abroad, if required by local laws or if local best practice standards appear reasonable. The voting guidelines apply both to the two-tier board and to the one-tier board.

As a rule, Deka carefully analyses the agenda items before making voting decisions for upcoming general meetings. If countermotions have been submitted, they are also subjected to critical and constructive examination. When appropriate, Deka submits supplementary motions or countermotions itself.



The following principles determine Deka's voting behaviour with respect to important topics regularly dealt with in general meetings:

1. **Voting rights**
2. **Annual report and annual financial statements**
3. **Appropriation of profits**
4. **Board of management, supervisory board**
5. **Auditor**
6. **Corporate actions and share buybacks**
7. **Mergers and acquisitions**
8. **Social and environmental responsibility**
9. **Other**

## 1. Voting rights

As a rule, Deka advocates uniform voting rights according to the **principle of "one share, one vote"**. Deka strictly opposes any measures that restrict shareholder rights (e.g. multiple voting rights).

Deka will vote in favour of an **issue of preferred shares** in justifiable special cases that do lead to a restriction of shareholder rights.

## 2. Annual report and annual financial statements

Company reporting should provide the greatest possible transparency with respect to the company's business situation, corporate governance and matters related to sustainability.

Shareholders should also be informed without delay of any new circumstances that have been disclosed to financial analysts and similar parties.

If **material accounting requirements are not being observed** or insufficient disclosure has been made, Deka will not vote in favour of the agenda items concerned.

## 3. Appropriation of profits

Companies should aim for a sustainable dividend policy.

**Dividends** should generally **be reasonable** and appropriate to the financial results of the company. The free cash flow should also be used as the basis for measurement. As a rule, dividend payments should not reduce the net assets of a company.

Deka has a critical view of motions for **special dividends for long-term shareholders**.

## 4. Board of management, supervisory board

The board of management and supervisory board should work together closely for the benefit of the company to ensure good corporate governance based on responsible management and supervision that is aimed at creating value. Openness and transparency in corporate communications, taking shareholder interests into account and ensuring clear assignment of responsibilities are important factors in this. Deka expects supervisory board and board of management members to be competent and as free of conflicts of interest as possible.

Deka takes these principles into account in its assessment of board of management and supervisory board performance when making voting decisions.



## 4.1. Formal discharge

### 4.1.1. Individual discharge/total discharge

Deka prefers the individual discharge of members of the board of management and supervisory board. If this is not possible, Deka will vote against the discharge of all board of management or supervisory board members if one of the members fails to satisfy one of the criteria for discharge.

### 4.1.2. Discharge of the board of management

**Significant doubts about the performance** of the board of management due to sustained under-performance in terms of profits relative to other companies in the industry, or significantly poorer share price performance compared to the industry or overall market is a factor that could argue against formal discharge of the board of management.

Deka reserves the right to vote against formal discharge of the board of management in specific cases if there **are violations of environmental, social and governance (ESG) issues**.

### 4.1.3. Discharge of the supervisory board

**Governance requirements**

Deka reserves the right to vote against the formal discharge of the supervisory board in specific cases if there are deficiencies in **transparency requirements** or **violations of environmental, social and corporate governance (ESG) issues**.

The following are considered particularly critical factors in the formal discharge of the supervisory board:

- **lack of independence** of the supervisory board and key committees,
- **no limit on the length** of office in the supervisory board,
- **no rules on an age limit** for board of management and supervisory board members,
- the **D&O insurance** does not provide for an **appropriate deductible** for supervisory board members.

### Reconciliation on the board of management and supervisory board remuneration

The supervisory board shall ensure a vote on the remuneration system for the **board of management** in the event of **any material change to the system, but at least every four years**.

The supervisory board shall ensure a vote on the remuneration system for the **supervisory board at least every four years**.

The **remuneration report** prepared by the board of management and the supervisory board for the previous financial year shall be voted on **annually**.

Particularly in the event of a negative vote or when there is a **significant number of negative votes** (higher than 25%) on the remuneration system and remuneration report at the annual general meeting, companies should discuss the critical remuneration elements in dialogue with investors.

### Attendance of supervisory board members

Proof of attendance at meetings is important to Deka for assessing whether members are executing the responsibilities of their office.

If an **individualised report** on the **attendance of supervisory board members** at supervisory board and committee meetings is not published, Deka will speak out against formal discharge of the supervisory board.

Deka takes a critical view of **attendance rates of less than 75 per cent** for plenary and committee meetings, **without adequate justification**. If these thresholds are not met, Deka will vote against the discharge of the relevant supervisory board members. If no individual discharge is planned, Deka will vote against the discharge of the entire supervisory board if two or more members have attended less than 75 per cent of the meetings.



## Related Party Transactions

Deka also speaks out against formal discharge of the supervisory board if **significant** related party **transactions** have **not** received prior **approval by the supervisory board**.

## 4.2. Appointments

The composition of the board of management and supervisory board is of key importance to the long-term success of a company. The responsibilities of board members should be clearly defined and presented in the company's publications.

### 4.2.1. Composition of the Supervisory Board

When choosing supervisory board members, care must be taken that they have the necessary knowledge, skills and professional experience to fulfil the responsibilities of a supervisory board member. In addition to having the necessary **professional expertise**, supervisory board members should also exhibit broad **diversity** appropriate for the company, e.g. with respect to gender, age and nationality. In particular, **at least 30 per cent** of the supervisory board members of listed companies and companies subject to employee co-determination requirements should **be women**.

### 4.2.2. Qualifications of the members of the supervisory board

The supervisory board should set specific targets for the composition of its members and prepare a profile for the expertise of the board as a whole. Deka will oppose candidates for supervisory board positions if significant concerns exist about their **qualifications** or they have **potential conflicts of interest**.

### 4.2.3. Independence of the supervisory board

The supervisory board should include an appropriate number of independent members. As a rule, Deka requires **at least half** of the shareholder representatives to be **independent**. In companies controlled by **large shareholders** (together more than 50% of the share capital), **at least one third** of the

shareholder representatives should be **independent**. If these requirements are not satisfied, Deka will oppose all dependent supervisory board members standing for election.

Deka feels that supervisory board members are not independent if they

- have already held this position for **more than twelve years**,
- **represent a shareholder** that holds more than 10 per cent of the voting rights (who would otherwise be just a minority shareholder),
- are a **related party** to a board member,
- were **formerly board of management members**,
- are **delegated supervisory board members**,
- were **previously auditors or advisors** that audited or advised the company in the previous five years,
- maintain a **connection with competitors** and key partner companies.

### 4.2.4. Attendance in re-election

If an **individualised report** on the **attendance of supervisory board members** at supervisory board and committee meetings is not published, Deka will oppose the re-election of the relevant members of the Supervisory Board

The same applies if the supervisory board member to be re-elected has a **attendance rate** of **less than 75 per cent** for plenary and committee meetings, without adequate justification.

### 4.2.5. Former members of the board of management

The supervisory board should **not** have **more than two members** who are former members of the board of management.



## 4.2.6. Cooling-off period

Deka disapproves of board of management members moving into the supervisory board of the company without a **waiting period of two years** (exception: upon proposal of shareholders with more than 25 percent of the voting rights).

## 4.2.7. Individual appointment of supervisory board members

Due to the prominent positions they hold, supervisory board members should be elected individually during general meetings.

Deka advocates a **staggered board** for supervisory board members. Staggered terms increase flexibility, in particular in order to better meet an evolving competence profile and take account of changes in the ownership structure.

## 4.2.8. Chairman/Chief Executive Officer

For companies with a single board organisational structures, Deka favours a **clear separation between the roles** of chairman and chief executive officer and opposes situations where the same person holds both these offices. Deviations from this rule are possible in **justifiable exceptional cases**, e.g. when a lead independent director is represented on the board of directors.

Deka rejects a possible **change** of an **executive director** to the role of chairman/non-executive director without a **waiting period of two years**.

## 4.3. Board positions

Deka favours clear limits on board positions. Enough time must be available to responsibly fulfil the supervisory duties of each board position. Deka takes a critical view of supervisory board candidates who hold multiple positions on the boards of other companies.

Deka requires that

- a **CEO** of a listed company or company subject to comparable requirements may

**not hold the position of chairman** of the supervisory board (non-executive chairmanship) in a listed company or company subject to comparable requirements outside the Group, or **more than one supervisory board position** (non-executive directorship) in listed companies or companies subject to comparable requirements outside the Group,

- an **executive director** of a listed company or company subject to comparable requirements may **not hold the position of chairman** of the supervisory board (non-executive chairmanship) in a listed company or company subject to comparable requirements outside the Group, or **more than two supervisory board positions** (non-executive directorship) in listed companies or companies subject to comparable requirements outside the Group,
- a **supervisory board member** (non-executive directorship) who holds no executive positions in any company, holds **no more than five supervisory board positions** (non-executive directorship) in total in listed companies or companies subject to comparable requirements, with the position of supervisory board chairman (non-executive chairmanship) counting as two positions.

The work load of an audit committee chairman should be taken into account when checking the positions held.

## 4.4. Age limits and limits on the length of office

In order to ensure that the supervisory board is constantly renewed, Deka requires that board members not hold board positions for **more than 15 years**. **Longer terms** of office can be permitted for **large shareholders** or their representatives.



The **age of supervisory board members** should not exceed **75 years**. The age of **board of management members** should not exceed **65 years**.

## 4.5. Committee formation

The supervisory board should form qualified committees. Deka favours a **majority of independent members** of key committees (audit, nominating, remuneration, compliance). If these requirements are not satisfied, Deka will vote against re-election of the chairman.

It must be ensured that the **chairman of the audit committee is independent**. In particular, he may **not be a former executive director** of the company, a **large shareholder** or a large shareholder representative. The **chairman of the supervisory board** (non-executive chairman) should **not hold** the position of **chairman of the audit committee**.

The **chairmen** of the **other committees** should be independent.

The **members of the nomination committee** should only be **shareholder representatives**.

If the **chairman of the supervisory board** is a **major shareholder** or its representative, the **committees** should be composed **mainly of independent candidates**.

## 4.6. Remuneration of board of management members

In Deka's opinion, the remuneration structure for board of management members must be oriented towards sustainable company performance and may, in particular, not induce board members to assume inappropriate risks. The remuneration structure should be transparent and comprehensible and contribute to the promotion of the business strategy and the long-term development of the company.

Deka places extensive quality requirements on the remuneration system, which are described below. If

these requirements are largely not met, Deka will reject a board of management remuneration system.

Deka defines the **target remuneration** as the sum of all remuneration amounts of one year (including pension benefit contributions and fringe benefits) in the case of full target achievement. The **maximum total remuneration** corresponds to the highest possible expenses of the company resulting from the sum of all remuneration elements for the respective year.

The remuneration system for the **board of management** must be voted on at the annual general meeting in the event of **any material change to the system, but at least every four years**.

If Deka considers the **maximum total remuneration** of the members of the board of management (for the full board of management or for each member of the board of management separately) determined in the remuneration system to be unreasonably high, Deka reserves the right to vote in favour of a reduction at the annual general meeting.

### 4.6.1. Structure of the remuneration system

Board of management remuneration must be structured so that

- the remuneration system is based on **three basic elements**, namely fixed remuneration, annual and multi-year variable remuneration,
- the **target and maximum total remuneration** for the preceding financial year must be added for each individual member of the board of management,
- the ratios of the individual **remuneration components** to target remuneration are stated,
- the relevant **financial and non-financial performance criteria** for granting the variable remuneration components are stated,



- the connection between objective achievement and variable remuneration is specified (**pay for performance**),
- the **payment modalities** for the members of the board of management to dispose of the variable remuneration amounts granted are specified,
- the **target and maximum total remuneration of the board of management** should be communicable overall in comparison to the remuneration of senior managers and the employees or in comparison with other companies, and should be explainable to the general public,
- any **company pension** entitlements are only **defined contribution** plans that are linked to fixed remuneration.

#### 4.6.2. Absolute caps

The absolute caps for total board of management remuneration must ensure that

- there are **absolute caps** on all variable remuneration components,
- there is a **cap** on variable remuneration linked **to the share price**,
- **personal investments in shares** of the company by a board of management member are not subject to remuneration caps.

Deka would rate it as positive, if there were a **maximum amount** for the total remuneration received per financial year that would take precedence over all other arrangements agreed for the amount of remuneration.

#### 4.6.3. Share ownership requirements

Deka requires that agreements be reached with board of management members to hold shares of their companies. The amount should be **at least the amount of gross fixed remuneration for one year**. This share ownership should be achieved after 4 years at the latest. The shares are to be held permanently at least during membership of the board of management.

#### 4.6.4. Structure of variable compensation

When selecting and specifying targets, it is crucial that they reflect the desired company strategy as closely as possible. For the purposes of providing incentives and exercising control, their changes should also be transparent and verifiable and allow little room for manipulation or external influences (windfall profits).

Deka feels it is important in this regard that

- the **fixed remuneration** does not exceed the variable remuneration of the target remuneration,
- the **long-term** variable remuneration **exceeds** the **short-term** variable remuneration in the case of the target compensation,
- the portion of **remuneration paid in the short term** (fixed remuneration and one-year annual bonus) does not exceed 60% of the target remuneration,
- granted **long-term variable remuneration components** shall be accessible only after a period of **four years**,
- the variable remuneration components be based on **challenging performance targets and evaluation parameters** that may not be subsequently changed to make target achievement easier,
- **different performance criteria** are used for one-year and multi-year variable remuneration (**at least two KPIs each**),
- the performance parameters for determining variable remuneration are **not solely linked to the share price**,
- the long-term variable remuneration has a forward-looking **multi-year calculation basis** (at least three years),
- **relevant ESG criteria** are also reflected in the long-term KPIs,
- **total shareholder return** (TSR) should **not be the only KPI** for long-term remuneration.



#### 4.6.5. Share options for board of management members

Share options are option rights given to employees to buy shares of the company. They entitle the holder to buy shares at a pre-specified price on a pre-specified date or during a certain period. Deka requires in this regard that

- **redemption of the share option plans** shall extend beyond the term of the contract,
- existing share capital shall **not be diluted more than 5%** by a share option plan,
- the exercise price payable when the options are exercised to buy shares shall, as a rule, **equal the share price at the time of issue**. Any reduction in the exercise price may not exceed 5% and must be justified.

#### 4.6.6. Discretionary remuneration decisions

Remuneration systems frequently include elements that permit the supervisory board to decide on the granting and distribution of bonuses on a case-by-case basis. Although Deka does not categorically oppose such discretionary remuneration decisions by the supervisory board, they must satisfy certain principles:

- **discretionary interventions** by the supervisory board **must be verifiably explained**,
- discretionary increases or decreases in the variable bonus resulting from target achievement must **not exceed certain limits** (as a rule, +/- 20% adjustments),
- **special payments should not be made** and, if they are made in exceptional cases, they must be quantified and justified. However, such a special payment may not exceed the maximum remuneration for a financial year, taking into account the full utilisation of the STI and LTI ceilings.

#### 4.6.7. Other contractual provisions

Deka requires that the supervisory board include contractual provisions governing the following:

- the variable remuneration components should take both positive and negative performance into account (**bonus/malus remuneration**),
- the variable remuneration components should provide for a **clawback** of remuneration in the event of immoral conduct or a gross breach of duty (incl. breaches of material compliance and governance provisions),
- if **board of management activities are terminated prematurely**, the resulting payments may not exceed the value of the remuneration for two years (severance cap) and may not provide remuneration for more than the remaining term of the employment contract,
- benefit commitments made in connection with the early termination of a management board member contract by the management board member due to a change of control should not be agreed upon,
- **excessive sign-in bonuses** and golden parachutes are to be avoided.

#### 4.7. Remuneration of supervisory board members

Deka will try to ensure that the remuneration of supervisory board members does not appear unreasonably high compared to the level of remuneration provided by comparable companies.

Deka favours **fixed remuneration for supervisory board members**. This is because supervisory board members must perform a supervisory function that is inconsistent with performance-related remuneration. Pension arrangements for supervisory board members are opposed.

If the members of the supervisory board have made a **voluntary commitment to purchase shares** in the company, the amount should not exceed 15% of the total compensation granted (before taxes).





The remuneration system for the supervisory board must be voted on at the annual general meeting **at least every four years**.

## 4.8. Remuneration report

The detailed **remuneration report** prepared by the board of management and the supervisory board for the previous financial year shall be voted on **annually**. Deka complies with the statutory provisions with regard to the information to be included in the remuneration report. The way in which the performance criteria were applied for each individual member of the management board must be described. The development of management board remuneration in relation to average employee remuneration over the last five years must also be presented.

If the statutory quality requirements for the remuneration report are not met, Deka will reject the remuneration report.

## 5. Auditor

The auditor is supposed to ensure that the preparation and presentation of annual financial statements provide a true and fair view of the company and comply with accounting requirements.

It must be ensured that the auditing firm and responsible auditor are **independent** of the company being audited. If Deka has justifiable doubts about their independence, it will vote against the appointment.

The same applies if the auditor receives more in **fees** from advisory activities than from auditing activities, or provides a substantial volume of advisory services for the company.

In addition, expenses paid to auditors should be shown separately and monitored by an independent audit committee formed by the supervisory board.

Deka takes a critical view if the company has been a client of the auditing firm for an especially long period of time. The **responsible auditor** should **not be engaged for more than five years**. The name of the responsible auditor should also be indicated in the annual report.

## 6. Corporate actions and share buy-backs

### 6.1. Capital increases

Motions for capital increases during general meetings mostly concern authorised and contingent capital. While authorised capital is used for capital increases to issue new shares, contingent capital is intended for issuing shares when shareholders exercise conversion or subscription rights (for share options, convertible bonds and warrant-linked bonds).

Capital increases should always be used in the interest of shareholders to improve the long-term performance outlook of the company. In the case of capital increases without subscription rights, it must be ensured that as little dilution as possible occurs.

Deka takes a critical view of large-scale anticipatory resolutions for corporate actions (authorised and contingent capital increases).

Deka therefore opposes anticipatory **resolutions for proposed capital increases (authorised or contingent capital increases)** if they, together with the anticipatory resolutions already in the articles of association, **exceed 20 per cent of the share capital**.

The same applies if the anticipatory resolutions for proposed capital increases (authorised or contingent capital increases), together with the anticipatory resolutions already in the articles of association, **exclude subscription rights for more than**



**10 per cent of the share capital. The subscription right exclusions** must be considered **cumulatively** across all corporate actions (authorised and contingent capital increases).

Deka can deviate from this rule in justifiable exceptional cases (e.g. corporate measures for scrip dividends, employee shares, regulatory requirements), which must be explicitly mentioned when the motion is proposed.

## 6.2. Share buybacks

The companies should invest their excess liquidity in the long-term development of business operations. If a company nevertheless does not want to invest in its business operations, but instead distribute excess liquidity to shareholders, Deka prefers **dividend payments** (e.g. in the form of a special dividend) **over share buybacks**.

Deka would, however, vote in favour of a share repurchase if the tax consequences of a dividend payment would be excessively detrimental for shareholders or in justified exceptional cases.

## 7. Mergers and acquisitions

Deka requires that an extraordinary general meeting be called in the event of a **takeover bid for the company** to allow shareholders to vote on the offer.

A **major transformational takeover or merger** facing the company must be put to a vote by the general meeting.

Deka will vote in favour of a merger/acquisition when the information provided (incl. strategic background, economic verifiability) is sufficient to make a well-considered decision and the purchase price reflects the sustainable enterprise value according to internal analyses.

## 8. Social and environmental responsibility

Social and environmental developments are becoming an increasingly important part of the corporate environment. Deka is convinced that incorporating social and environmental standards in a sustainable business policy is not only in the interest of society, but also in the interest of shareholders, as it can lead to long-term, above-average performance of the company and an improved risk assessment.

Environmental, social and governance (ESG) indicators are steadily gaining importance in the dialogue with companies. This also includes compliance by companies with the ten principles of the UN Global Compact. Deka rates climate reporting that takes into account the UN Sustainable Development Goals (SDGs) and meaningful climate reporting according to the Task Force on Climate-related Financial Disclosures (TCFD) as positive. As part of the Principles for Responsible Investment (PRI), Deka therefore also exercises its voting rights in accordance with sustainability criteria.

From a climate perspective, Deka welcomes companies that attach importance to continuously **reducing their CO2 emissions**. Deka does not consider the exclusive purchase of CO2 mission rights to offset its own emissions to be a goal-oriented approach. Preference should be given to investments that reduce greenhouse gas emissions.

If Deka takes a critical view of the significance of the **"non-financial statement"** or the quality of a company's social and environmental responsibility, it will express this in its voting behaviour at annual general meetings.

**ESG-oriented shareholder proposals** are reviewed by Deka and, if they comply with Deka's principles, a positive decision is made. This applies in particular to issues relating to climate protection, human rights and labour standards and the fight against corruption.



## 9. Other

Motions that are not explicitly included in the Deka voting policy must be examined and assessed based on normal market standards. No motion may have a negative effect on shareholder rights and/or violate individual elements of the policy.