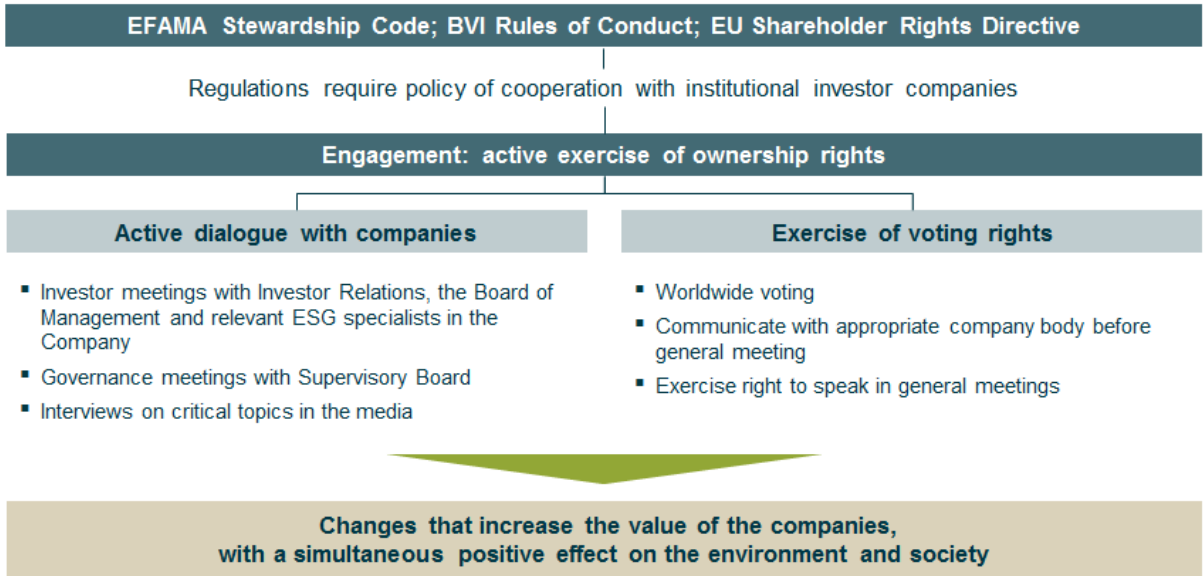


# Engagement policy of Deka Investment GmbH

## I. What is engagement

“Engagement” is the active, engaged exercise of shareholder rights. This means both maintaining active, constructive and systematic dialogue with companies as well as exercising voting rights at general meetings. ESG factors are increasingly being considered part of engagement today.

## II. Why engagement at DEKA



As an active, sustainable investor, engagement is part of our day-to-day working practices at Deka Investment. As a trustee for our investors, we are interested in the long-term success of the companies we invest in. Our investment approach, which we feel is a sound, long-term approach, is the key to a long-term increase in value of our investments. As an investor, we also consciously maintain investments in companies with critical business activities and attempt to use our influence as an active shareholder to induce these companies to use more sustainable, responsible management.

“Promote innovation, assist change, achieve results” is therefore the guiding principle behind our involvement as a trustee. We work to help companies view the challenges from social and environmental change as opportunities, ensure the future viability of their business models, take responsibility for coming generations and contribute to their well-being in a liveable environment. We use regular contact, targeted follow-ups and monitoring of target achievement to assist companies with these changes on the way to a more sustainable future.

### **III. Principles for engagement**

Responsible corporate governance is one of the factors that is considered essential for improving sustainability worldwide. Whether it is the European Commission, environmental and human rights organisations, or the international investor initiative Principles for Responsible Investment (UN PRI), all stress the responsibility that corporations have to society and the environment. To fulfil this social and environmental responsibility, companies should base their conduct on international, recognised principles and guidelines. Deka Investment mainly focuses on the following principles and guidelines for its engagement activities:

- the UN Global Compact list of principles,
- the International Labour Standards (ILO),
- the EU climate targets,
- the Sustainable Development Goals (SDGs),
- the requirements of the Task Force on Climate-related Financial Disclosure (TCFD).

### **IV. Choice of topics for engagement**

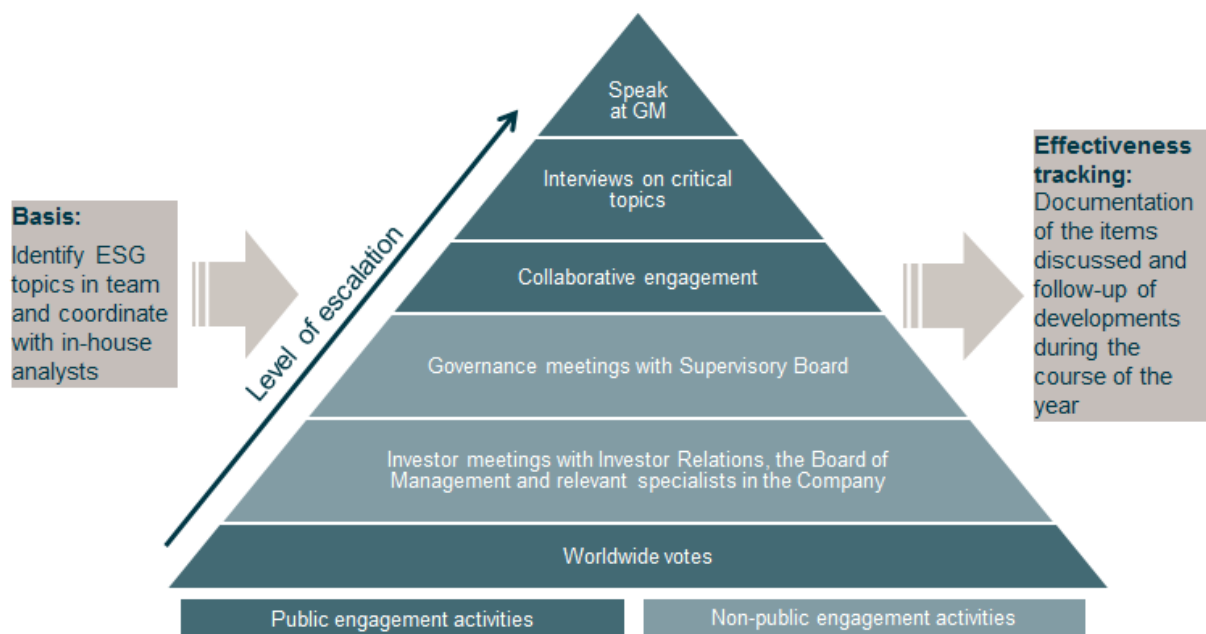
A number of different Deka cross-divisional and cross-area units are involved in specifying the main topics for engagement activities. Regular meetings take place between participants of our Group-wide expert network on sustainable investment, where current trends and developments are discussed. Our sustainability and corporate governance experts also exchange information continuously with fund management and research analysts between these meetings. Our sustainability and corporate governance team also continuously monitors corporate-specific topics and current controversies, which we discuss with the companies. Although the main topics can vary depending on the current level of urgency, a number of topics are of a long-term nature.

Our engagement activities are aimed at achieving long-term improvements in the sustainability ratings of our investment funds based on specific investment strategies, and contributing to a long-term increase in value. Our top priorities in this connection are the UN Paris Convention on Climate Change, which is aimed at limiting global warming, and the UN Sustainable Development Goals, which are aimed at ensuring appropriate living conditions for future generations. Climate-related, political and technological risks threaten the business models of companies that do not react in time to the new challenges. We therefore request transparency and disclosure of ESG-related information from the companies. We also use a variety of rating agencies that allow the companies to be rated, including over time, with respect to ESG criteria.

We aim, in particular, for a reduction in CO<sub>2</sub> emissions over time and compliance with the International Labour Standards in the company itself and supply chains. The company should, for example, present us with a clear climate strategy, including its contribution to achieving the EU climate targets and important milestones. The transition from the current CO<sub>2</sub>-intensive economy to a CO<sub>2</sub>-free or at least low-CO<sub>2</sub> world requires efforts in many areas. Compliance with ethical standards in the supply chain as a whole is also an important element in a company sustainability policy. We therefore take advantage of the opportunity to ensure that key actors make and disclose their contributions in this area. Where possible, we use a variety of key figures and scores to measure progress towards the achievement of targets.

## V. What is the process used for engagement?

Our engagement process involves various escalation levels.



First, we make active, global use of our voting rights at general meetings and take a consistent position based on our voting guidelines for good corporate governance. Voting rights are one of the most valuable shareholder rights and must be dealt with responsibly. Deka uses clearly defined criteria to exercise shareholder voting rights directly, or via proxies, in a fiduciary capacity for its fund investors. These are summarised in our “Voting Policy for General Meetings”. The policy is based on the extensive experience that Deka has gained as the Wertpapierhaus (securities services provider) for the Sparkasse savings banks. It naturally takes into account applicable principles and laws, and 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 Scorecard for Corporate Governance issued by the analyst association DVFA, international codes and applicable environmental and social standards (ESG).

In the next stage, as an active asset manager, we discuss critical topics clearly in regular dialogues with our portfolio companies, both at the Board of Management and Supervisory Board levels. The points that are discussed are documented and progress is monitored over time. If ESG-related controversies occur for a company, we investigate thoroughly and confront the company with any accusations. We request that the company provide an appropriate clarification and remedy justifiable criticisms. Ongoing measurement of results is of key importance to allow progress in our engagement activities to be documented and managed. We do this in the interests of maintaining the value of our company investments, as reputation damage also frequently leads to financial losses.

When appropriate, we join joint investor initiatives (collaborative engagement) or address the public on our own in some cases, with interviews or statements at general meetings. We decide on our general meeting visits in the 4th quarter based on three criteria: How important are the company’s shares for our funds? Do important engagement topics apply? How large is our interest in the company?

If a controversy cannot be resolved or the company consistently fails to react satisfactorily, we do not rule out selling the investment as a last resort.

## **VI. Engagement for government bonds and green bonds**

Along with equity strategies, our engagement activities also include debt strategies, where we focus on issuers of government bonds and green bonds. Companies are not the only ones that play an important role in dealing with environmental and social challenges. Governments also play a key role. ESG criteria are therefore increasingly being used in investment decisions for government bonds. Deka Investment also plays an active role as a trustee in this area and regularly meets with representatives of the countries whose bonds we invest in. In addition to economic topics, such as economic growth and national debt, we also discuss what the governments are doing in the area of ESG, such as environmental protection, corruption and climate change.

We also take a close look at issuers of green bonds. Green bonds are an important instrument used for funding climate and environmental protection projects, such as construction of a new wind generator. Credibility plays an important role here. Since the green bond classification is assigned by the issuer itself, we place high social and environmental requirements on the use of the funds by the issuer.