Voting Policy for general meetings

Exercising voting rights is part of DEKA's social 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, DVFA Scorecard for Corporate Governance, the Guidelines for Sustainable Management Board Remuneration Systems, 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.

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

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. 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

If it is not possible to vote on the formal discharge of individual members of the board of management and supervisory board, 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.

Significant doubts about the performance of the board of management due to sustained underperformance 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 and/or supervisory board in specific cases if transparency or corporate government requirements are not satisfied.

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.

The supervisory board should also ensure that votes on the board of management remuneration system take place regularly, at least once every four years, and votes take place on system changes. In particular, if the general meeting vote results are negative or there are a significant number of opposing votes (more than 25%) in the vote on the remuneration system, companies should discuss the critical remuneration elements in dialogue with investors.

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. Proof of attendance at meetings is important to Deka for assessing whether members are executing the responsibilities of their office. Deka takes a critical view of attendance rates of less than 75 per cent, or less than 90 per cent for plenary meetings, without adequate justification.

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.

In Germany, the supervisory board generally appoints board of management members (dual board organisational structure). In countries outside Germany, on the other hand, the general meeting can appoint the board of management (single board organisational structure). As a rule, Deka favours a clear separation between the roles of supervisory board chairman and chief executive officer/board of management chairman and opposes situations where the same person holds both these offices. Deviations from this rule are possible in justifiable exceptional cases.

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.

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.

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 (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 ten 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.

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

Deka disapproves of board of management members moving into the supervisory board of the company without a waiting period of two years.

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

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 more than two supervisory board positions (non-executive directorship) in listed companies or companies subject to comparable requirements outside the Group, with the position of supervisory board chairman (non-executive chairmanship) counting as two positions,

- 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 three terms, that is, typically 9 to 12 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 of the supervisory board (non-executive 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.

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 verifiable. Deka therefore also supports the "Guidelines for Sustainable Management Board Remuneration Systems".

The general meeting must approve changes to board of management remuneration systems.

In the interests of transparency, Deka requires disclosure of the individual remuneration components of board of management members.

In addition, remuneration reports should report ex post on the associated key performance indicators (KPIs) for variable remuneration and their target achievement in the financial year just ended.

Deka has the following quality requirements for the remuneration system:

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 ratios of the individual remuneration components to total remuneration are stated,

- the target total remuneration is specified for each individual member of the board of management,
- relevant financial and non-financial objectives are stated and the connection between objective achievement and variable remuneration is specified (pay for performance),
- the relative ranges for the variable remuneration elements are specified,
- any company pension entitlements are only defined contribution plans that are linked to fixed remuneration,
- the fixed remuneration does not exceed the variable remuneration of the total remuneration granted,
- an inappropriate focus on the one-year variable remuneration element is avoided,
- the portion of remuneration paid in the short term (fixed remuneration and one-year annual bonus) does not exceed 60% of the total remuneration granted.

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 rates it as positive, if there is a maximum amount for total remuneration in addition to the absolute caps on the variable remuneration components.

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.

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 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 bonus funds 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. The absolute cap on total remuneration may not, however, be exceeded as a result.

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,
- if board of management activities are terminated prematurely due to a change in control of the company, the resulting payments may not exceed 150% of the severance cap,
- 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.

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 buybacks

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. This is because if there is any positive correlation at all between share buybacks and share performance, it is mostly just short-term. In addition, it will likely be difficult for company management to determine the proper time for a share repurchase.

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

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 equals 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 feels 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. Environmental, social and governance (ESG) indicators are steadily gaining importance in the dialogue with companies. It is clear that the acceptance of these responsibilities varies greatly among companies worldwide. Deka has therefore made it a goal, including in terms of the Principles for Responsible Investment (PRI), to assign greater overall importance to these factors and aim for a qualitative improvement.

If Deka is critical of the quality of social and environmental responsibility, it will express this in its voting behaviour at general meetings.

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.