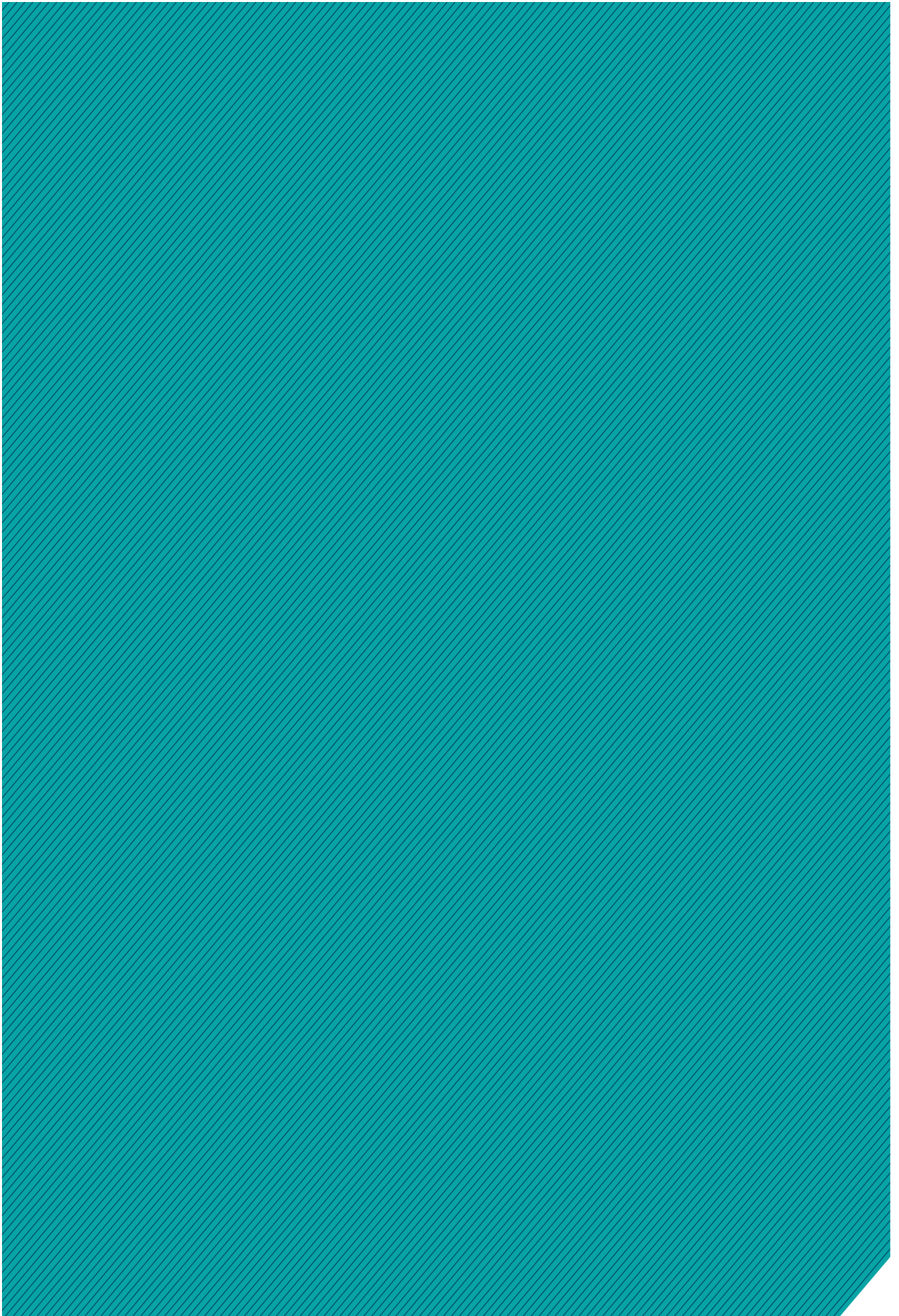


# Corporate Governance and Proxy Voting Policy 2022

DWS Investment GmbH

 **DWS**



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# Our Corporate Governance Understanding

Our fiduciary duty towards our client investors is what guides us at DWS, acting in their sole interest as stewards also means to focus on long-term economic success as well as the sustainability outcomes of our investments achieved by responsible and sustainable business conduct. For us, sound corporate governance practices are an important source of higher relative shareholder returns on equity and fixed income investments over the long-term. Our understanding of good corporate governance builds on expertise gained over more than 25 years as active owners and is based on relevant national and international legal frameworks (e.g., German Corporate Governance Code, International Corporate Governance Network (ICGN) Global Corporate Governance Principles, G20/OECD Principles of Corporate Governance) as well as national and international best practices.

We actively participate in relevant global working groups conferences, representing the investor perspective and driving developments in this area forward.

Through our memberships and affiliation with a number of global networks, we strive to foster the importance of sustainability in the capital markets in all three dimensions: environmental, social and governance (ESG), whereas we regard governance as key to achieve sustainable success also in the other dimensions.

Over the past years, shareholders have increased the importance of sustainability also through their presence at annual and extraordinary shareholder meetings (AGMs/EGMs) by filing related proposals. We evaluate these proposals carefully and apply as members of the Coalition for Environmentally Responsible Economies Investor Network on Climate Risk and Sustainability (Ceres) their guidance on environmental, social and governance issues. Furthermore, we vote in line with our conviction that responsible environmental and social practices ensure sustainable success of investee companies.<sup>1</sup> We seek to assess the compliance of Investee Companies with relevant international frameworks (i.e. the set of ten core values of the UN Global Compact, concerning human rights, labor standards, the environment and business ethics, the 17 Sustainable Development Goals (SDGs) of the UN, etc).

<sup>1</sup> Investee Companies for the sake of this voting policy document are defined as those who are part of the DWS proxy voting core list. The DWS proxy voting core list includes a certain part of the relevant holdings, screening based on: a) percentage of assets under management and percentage of position in the company b) relevant ESG ratings c) relevant market regulatory requirements, which entail voting for all companies held in a given market (e.g. Germany and Spain). The DWS proxy voting core list may not contain and cover all equities held by the relevant DWS entities and therefore DWS Investment GmbH may not exercise the voting rights of all equities for which it has the proxy voting rights. DWS Investment GmbH may change and amend this list in its own discretion from time to time.



# Proxy Voting Framework

As a responsible investor and a fiduciary, we are obliged to exercise our clients' equity<sup>2</sup> voting rights in their best interest. This is achieved by our dedicated uniform and transparent proxy voting process and centers on our detailed expectations and proxy voting guidelines that are laid out in the following section (V.).

The primary responsibility for engagement and the exercise of our Corporate Governance and Proxy Voting Policy lies with the staff of DWS Investment GmbH's Chief Investment Office for Responsible Investment in Frankfurt, Germany. To ensure a more effective, efficient and consistent process, DWS decided to pool the voting rights of the following legal entities based on internal delegation agreements within DWS Investment GmbH:

- \_ DWS Investment GmbH
- \_ DWS International GmbH
- \_ DWS Investment S.A. (incl. SICAVs and PLCs)

All relevant items on the agenda of shareholder meetings of Investee Companies, which are part of our proxy voting core list, are examined individually and, where necessary, we decide on issues on a case-by-case basis in the interest of our clients. We endeavour to vote across all markets where feasible and if the available voting infrastructure of each market so permits. The proxy voting guidelines expressed in this document shall apply globally to our investees, which are part of our proxy voting core list.

Reflecting our fiduciary duty to our clients, the exercise of our voting rights is made fully independent from any views or interests of our principal shareholder Deutsche Bank AG and other DWS legal entities.

For agenda items not covered in our proxy voting guidelines, voting decisions of particular significance for an Investee Company (e.g., substantial transactions like mergers and acquisitions) and cases where the responsible portfolio

manager or analyst proposes a recommendation different from our standard Corporate Governance and Proxy Voting Policy, our Proxy Voting Group is the ultimate decision-making body. This group is composed of senior managers from the relevant departments to ensure an effective, timely, and consistent voting process.

If we hold a significant position and decide to vote against a management proposal, we may inform the Investee Company in advance. We will then vote our shares in person or entrust a proxy voting agent with a clear mandate. The vote will be published in the appropriate form after the shareholders' meeting on our websites, depending on the corresponding legal entity<sup>3</sup> and unless specified otherwise, we shall apply the proxy voting guidelines laid out in this document.

## 2.1. DWS as Proxy Advisor

Where we act in a capacity as proxy advisor for our clients the principles set forth in this policy for the proxy voting activities apply analogously.

## 2.2. Use of Proxy Advisors

We utilize the services of two service providers: Institutional Shareholder Services Europe Limited ("ISS") and IVOX Glass Lewis GmbH. Both service providers analyze general meetings and their agendas based on our proprietary voting policies and provide us with voting recommendations and their rationale. IVOX Glass Lewis provides us with recommendations for the general meetings of German-listed companies only, while ISS covers international general meetings and also provides us with a sophisticated online platform to support our proxy voting process.

<sup>2</sup> For our debt investments and related bondholder meetings, a dedicated and separate process is set-up and owned by the Fixed Income platform in order to avoid any potential for conflicts of interests.

<sup>3</sup> This can be found at <https://dws.com/solutions/esg/corporate-governance/>.



## Our Governance Engagement

DWS's engagement is framed by the DWS Engagement Policy, available on the DWS website.<sup>4</sup> The principles of good corporate governance are the foundation of our proxy voting policy and the rules laid out in this policy are the basis for the Corporate Governance Center's engagements with Investee Companies.

At the beginning of each year the Corporate Governance Center sends a letter to all Investee Companies on our proxy voting core list, clearly communicating the changes made to the Corporate Governance and Proxy Voting Policy. Within this letter we also extend invites to discuss our policy changes, as well as any other topics on the agenda of our Investee Companies.

During the proxy season, we actively participate in AGMs with either a speech at the meeting, or submitting questions to be answered in the Q&A session. We find this an effective means to highlight particular governance, financial and/or sustainability topics that the Investee Company faces. During the regular management meetings, we also raise governance issues.

Following the proxy season, we identify certain topics that caused the most votes against management and we compile our company specific post-season letters to a select group of Investee Companies. This also provides a basis for engagement, as we open up the forum in order to explain the reasoning behind our voting decisions, and also to understand our Investee Companies' perspectives.

If we feel that our concerns are not being heard we would send letters to members of the executive management or the supervisory board chair and we may decide to call for extraordinary meetings. Furthermore, we may support and/or file shareholder resolutions where possible.

In respect of further engagement activities of DWS, please refer to the DWS Engagement Policy available on the DWS website, which specifically sets out the types and methods of engagement, escalation strategies, expectations towards communication with the DWS investment platform as well as transparency requirements with regards to reporting, recording and monitoring in more detail.

<sup>4</sup> PDF available at the bottom of the page: <https://www.dws.com/>.

# IV.

## Our Core Governance Values and Expectations

As a responsible, long-term oriented investor, ESG factors have become increasingly important for us and ESG analysis forms an essential part of our stewardship process.

The integration of ESG factors in a company strategy will be a key factor to the ability of an organization to create value over time.

We believe that incorporating ESG criteria into our investment process contributes to a better understanding of the environment in which companies are operating, by supporting us to identify risks and opportunities. Our aim is to identify and assess material ESG factors that may impact the environment or the society as well as the value of our investments in order to achieve the best possible risk-adjusted investment returns for our clients.

For us, sound corporate Governance centers on a clearly defined and stress-resilient business model with a corresponding effective corporate structure with adequate control mechanisms in place. We believe companies should take more responsibility in the way in which goods are produced, services are provided, and resources are used. Therefore, we expect Investee Companies to integrate their environmental and social impacts and the possible reaction of their relevant stakeholders into their thinking, strategy and remuneration systems, in order to secure a sustainable value creation. The ESG performance assessment directly influences DWS's voting decisions on elections and discharges of the board of directors.

Our ESG integration stewardship activities are guided among others by following international standards: UN supported Principles for Responsible Investment (PRI), UN Global Compact, the OECD Guidelines for Multinational Corporations, Cluster Munitions Convention, the CERES Roadmap 2030, The CERES Blueprint for Sustainable Investing, IIRC integrated Reporting Framework, the 17 Sustainable Development Goals (SDGs) of the UN. We are also closely following the developments of the EU Taxonomy.

Investee Companies that seriously contravene internationally recognized E, S or G principles will be subject to heightened scrutiny. At a time when the impact of the companies on the environment and society is gaining special attention, we

appreciate if organizations start the process of providing more transparency and disclosure on their "net contribution" to the Sustainable Development Goals (SDGs) of the UN. For example, the ecological footprint of our Investee Companies and their responsible use of resources are increasingly important to us and we expect them to have a strategy how to achieve the goal of net zero incl. reliable targets for the short, medium and long term. A certification of these goals by the Science Based Targets Initiative (SBTi) increases the credibility of the strategy. In addition, we encourage Investee Companies to push towards greater diversity, at board level, as well as throughout the workforce to reflect the societies they operate in. Furthermore, we regard fair working conditions and equitable pay as fundamental workplace principles that underpin the value of diversity.

Our understanding for good corporate governance is based on four core values, which form our expectations towards our investees.

- \_ Adequate board composition with sufficient levels of independence, diversity as well as sound ESG governance/oversight.
- \_ Transparent, comprehensible and ambitious executive remuneration.
- \_ Adequate transparency on auditors.
- \_ Appropriate treatment of shareholder and stakeholder rights, in compliance with internationally recognized E, S or G standards (e.g. the UN Global Compact Principles and OECD Guidelines for Multinationals).

### 4.1. Board Composition

#### Structure and Special Responsibilities

We acknowledge differing board structures, especially dualistic and monistic boards. However, we regard a clearly separated balance of powers through a distinction of control (supervisory board) and management (executive board) as superior. For monistic Board structures this must be reflected in a separation of CEO and chairperson as well as strong, committed and independent non-executive directors.



Furthermore, we acknowledge that there are special roles within the board, i.e. the chairperson and the chairperson of the audit committee. Due to their extended responsibilities, we attribute an additional mandate to the members in question.

Where one person assumes a combined CEO/chair role, a qualified and strong lead independent director (LID) has to ensure the proper work of the board and the communication with investors. The LID has to be equipped with certain powers to effectively exercise his/her duties, i.e. convene meetings of the independent directors, set agendas, be a member or permanent guest of key committees. We will engage with the corresponding LIDs in order to be able to better understand how the balance of powers is ensured in such preferred structures.

We expect executive and non-executive directors to be chosen by their qualifications, experiences and knowledge. Their expertise and independence shall be recognizable and enable them to challenge management. As we recognize that increased scrutiny by the boards is needed to fulfill their oversight function and control role, we expect audit committees to be led by an independent chair and staffed with independent financial experts.

### **Diversity**

Qualified, experienced and independent directors are essential for competent and efficient decision-making processes at board level. We have a holistic understanding of diversity that encompasses age, gender, qualifications, internationalization, cultural backgrounds, independence, sector experience and tenure. These factors should reflect the structure and nature of the company in order to make better-informed decisions. Boards should ensure a balance in representation and inclusiveness to allow broad perspectives to drive value in different scenarios.

We expect our Investee Companies to incorporate gender diversity into their composition and refreshment processes and to adhere to national best practice stipulations on gender representation. We require boards to have one female member, however, this is, however, to be seen as an absolute minimum requirement and an increase of female directors is

strongly recommended. Furthermore, as to ensure reasonable board refreshment and succession planning, an adequate age range should ensure a balance between experience and new perspectives. We also welcome any developments that aim to achieve a better balance of underrepresented minorities; however, for us, qualification remains the decisive factor. We expect boards to enhance their diversity by taking intentional actions to expand the pool of women and minority candidates, including reaching out to a broader set of professional networks and considering candidates with a variety of skills, racial/ethnic backgrounds, and experiences.

We encourage our investees to provide us with as much transparency as possible through diversity and inclusion data. We will continue further engaging with our Investee Companies and monitor their progress in achieving the appropriate level of diversity in their boards.

As the nominating and governance committees should determine the succession planning process and the regular internal and external board evaluation, the respective chairs and members will be held accountable in case the proposed candidates do not qualify as board members. Furthermore, the board should disclose its mechanisms on how competencies and candidates are identified (e.g. via a competency matrix and qualification profiles).

### **Independence**

Having a majority of independent members serving on boards and committees, as well as respective independent chairs is especially important for us to establish an appropriate culture and to ensure objective-driven decision making and challenging discussions. The necessity for the absence of any personal advantages and conflicts of interests of any board member is self-evident. Adequate measures and processes must be set-up to identify, resolve and disclose conflicts of interests.

We expect Investee Companies to clearly indicate which candidates and board members are considered independent. Additionally, we assess the independence of boards and their members also by analyzing the tenure of the individual members. We value a balance between an extensive experience within the company and fresh perspectives and welcome efforts to accomplish this.



However, if the majority of the board or its key committees are considered not independent, we will consider voting against the candidates who cause it. Finally, yet importantly, a balanced structure of board tenure should also enable reasonable board refreshment and succession planning. Employee representatives are excluded from the independence calculation. Further indicators applied to evaluate the level of independence can be found in section II Board Structure and Independence.

### Transparency and Effectiveness

As transparency plays a major role in assessing the governance quality and the board effectiveness and efficiency, we expect Investee Companies to disclose the individual attendance of board and committee members. We recommend using a table as shown below:

NAME OF BOARD MEMBER	Board (# meetings attended/total #)	Committee 1	Committee 2	Committee 3	Overall
Board Member 1*	8/8 (100%)	4/4 (100%)	-	2/2 (100%)	14/14 (100%)
Board Member 2	7/8 (87.5%)	4/4 (100%)	3/4 (75%)	-	14/16 (87.5%)

\* indicates independent board member

For us, as long-term oriented investors who act as fiduciary for our clients, it is important to understand a board's culture and how it evaluates its effectiveness and efficiency. We therefore expect Investee Companies to annually report on its self-assessments and on assessments conducted externally. We are keen to understand the processes and structures the board has implemented to ensure objective-driven discussions, avoid groupthink, establish a meaningful information architecture and secure the right allocation of qualifications and experiences in the committees. Investee Companies should provide sufficient disclosure regarding the onboarding and induction processes for new members joining the board.

We expect Investee Companies to provide reports (annual, semi-annual, quarterly) and interim statements on time, i.e. 90

days after financial year end resp. 45 days for interim reports, the disclosure of non-financial information should be aligned accordingly and, wherever possible, we expect Investee Companies to integrate non-financial and financial disclosure.

## 4.2. Corporate Environmental and Social Responsibility

We expect that the boards and management of Investee Companies assess risks and impacts arising from or associated with environmental developments. Climate change has emerged as a dominant cause for additional risks. Following the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) classification, the two primary categories are physical risks and transition risks. Although the degree of exposure to such risks may vary across sectors and assets, we expect boards to develop a robust understanding of the company-specific risks and how to mitigate them. Especially, we ask Investee Companies to reflect on the concept of double-materiality, including therefore their impact on the environment.

We expect our investees to have a proper oversight on ESG-related risks and opportunities at management and board level. For Investee Companies facing high climate transition or physical risks, we also recommend a dedicated climate expert within the board. Furthermore, we expect that these companies set clear emission reduction targets, in line with the Paris Agreement and the SDGs and align their climate strategies with their lobbying activities via their memberships in industry associations. We expect Investee Companies to commit to net zero and set science-based targets. We also expect that climate and/or other relevant non-financial metrics are integrated into their executives' compensation plans. We may hold boards and management accountable in case they fail to respond adequately to such risks or fail to provide the necessary disclosure. Investee Companies should follow broadly established standards for disclosure and transparency such as the Sustainability Accounting Standards Board's (SASB) sector-specific disclosure standards and/or TCFD.

We expect Investee Companies to comply with and report on applicable internationally accepted and established standards and frameworks i.e. maintaining relevant Global Reporting Initiative (GRI) disclosures in line with identified materiality assessment, Value Reporting Foundation and TCFD recommendations that enable investors sufficient transparency in order to act responsibly. Further frameworks include but are not limited to: complying with the UN Global Compact Principles, the Carbon Disclosure Program (CDP), the Principles for Responsible Investment (PRI), where relevant, the Sustainability Development Goals (SDG), ILO-Norms (International Labour Organization), OECD Guidelines for MNE, and compliance with the UK or Australian Modern Slavery Act, if applicable. In cases Investee Companies fail to do so or are involved in severe environmental or social controversies, we may hold board and management accountable. Further we may consider sectors or industries particularly exposed to inflicting potential environmental damage or social harm for additional due diligence. This includes responsible supply chains, human rights and labor rights infringements, and a zero tolerance towards child labor and forced labor, or that infringe the rights of indigenous peoples.

Good corporate citizenship encompasses for us not only the adherence to local law and rules but also in a respectful and constructive dialogue with local communities. Further to that, we expect our Investee Companies to be compliant with tax laws and to disclose their tax policies.

Companies should assess environmental and social implications before business decisions are made and conduct environmental and social assessments in line with official guidelines and methodologies to evaluate if existing operations have a significant negative impact. Furthermore, we encourage Investee Companies to establish biodiversity and environmental protection standards and conduct independent review processes. We expect Investee Companies to prevent and mitigate accidents and spills that seriously damage the environment and/or affect communities, including immediate coordination with the authorities and transparent reporting to shareholders and investors. Furthermore, Investee Companies should—depending on their exposure—report its fresh-water use and set water reduction and recycling targets.

### 4.3. Executive Remuneration

We expect appropriate, comprehensible management compensation packages that include transparent and sustainable remuneration policies with ambitious, transparent and reasonable key performance criteria, aligned with relevant peer groups. As we acknowledge that the dynamics for executive pay have accelerated the average worker's pay and to avoid further divergence within societies, we expect boards to take the CEO pay ratio into account and provide transparency about how this was reflected in the process of preparing a new executive remuneration system.

We also seek ex-ante transparency on qualitative and quantitative key performance indicators (including ESG/ extra-financial KPIs) and target-levels. Especially with regard to sustainability, we expect Investee Companies to integrate material ESG factors into their thinking and strategy as well as to establish and disclose a clear link between their stated ESG targets/extra-financial KPIs and their remuneration systems. We expect the remuneration report to disclose the board's assessment of the performance for executives at the end of a reporting period. We regard relevant and adequate bonus-malus mechanisms (including clawbacks) and reasonable deferral periods for executives as key elements of a sustainable, long-term oriented compensation structure.

A rigorous remuneration system should achieve the alignment of the interests of shareholders and management. To underline the importance of such alignment we expect the board to regularly (at least every four years) allow the shareholders to vote on the remuneration system as well as in case material changes are proposed.

The remuneration report should provide a comprehensive disclosure that allows investors to i.e. assess how the targets were in alignment with the strategic goals, how the targets were met, how the board and the respective committee conducted their performance assessments and what payout resulted in which form. The remuneration report should especially disclose the chosen methodology for assessing the performance for extra-financial KPIs.

#### 4.4. Auditors

We place high value on the quality and the independence of the auditor. A strong degree of transparency regarding the audit fees, the balance between audit and non-audit fees, the tenure of the audit firm and the lead audit partner is key for us to assess whether ratifications for audit firms are deemed responsibly. We regard regular rotation of both the audit firm and the lead audit partner as a reasonable measure to ensure reliable, independent, and critical evaluation of a firm's accounts. The company should also inform about findings related to the key audit matters and how the non-financial reporting is accompanied by the auditors.

#### 4.5. Shareholder and Stakeholder Rights

As prerogative for us, we strongly support the 'one-share-one-vote' principle, and we regard the existence or creation of different share classes as a measure that denies the equal treatment of shareholders. The adequate treatment of (minority) shareholders' interests and proposals needs to be ensured. We are supportive of shareholder proposals that request stronger transparency and would enhance shareholder rights. We expect boards to respond to shareholder proposals in a timely manner and in adequate fashion. In case investee companies fail to demonstrate appropriate willingness to respond to criticism expressed through shareholder proposals, we may hold the board accountable.

A company's relationships with its stakeholders can have a significant impact on its ability to achieve its goals. As such, boards should oversee the process of engagement with their internal and external stakeholders, taking into account how these are impacted by relevant decisions and having regard to their needs and expectations.

#### 4.6. Transparency on Lobbying Expenditure, Political Contributions and Policy Advocacy

We expect Investee Companies to be transparent about their lobbying activities. This includes transparency about direct and indirect expenditures on lobbying, donations to political parties, memberships in and payments to industry bodies respectively tax-exempt organizations that seek to influence legislative acts, and comparable financial contributions or contributions in kind. The relevant sums should be disclosed also in proportion to distributable profits of last financial year. Where external policy outreach is undertaken, we expect Investee Companies to proactively support government policies aligned with the Paris Agreement. Furthermore, they should provide a description of the decision-making process and the oversight of the board about such payments. Any disclosure on the aforementioned elements should be made publicly available and accessible. In case of insufficient transparency, we may hold the board and management accountable and/or support proposals calling for increased transparency.

#### 4.7. Tax Compliance

We expect our Investee Companies to act as responsible, good corporate citizens, respect and comply with applicable national and international tax regimes, and fight tax abuse and harmful tax avoidance. Taxation is a strong contributor and enabler for sustainable development as defined by the United Nations' Tax Committee.<sup>5</sup> It furthermore contributes to achieve several SDGs, among them to build strong global partnerships and effective, accountable institutions. Thus, we understand the importance of tax compliance and transparency on applied taxation regimes as indicator on how companies are committed to fulfill their wider societal obligations. Furthermore, we acknowledge that additional environmental taxation can have multiple effects, i.e. raising revenues and shaping behavior of corporates as well as providing funding for infrastructure projects from governments.

Consequently, we will hold boards and management accountable for cases of involvement in tax abuse, tax fraud or harmful and illicit tax avoidance.

<sup>5</sup> <https://www.un.org/development/desa/financing/what-we-do/ECOSOC/tax-committee/thematic-areas/taxation-and-sdgs>



# Proxy Voting Guidelines

## 1. Board-Related Agenda Items

### Board Structure and Independence

Board structures differ depending on the jurisdiction, in which companies operate. The most prevalent ones are the unitary board structure composed of both executive and non-executive directors, and the two-tier board structure comprising an executive management board as well as a non-executive supervisory board.

The non-executive members of the boards should be sufficiently and objectively independent; i.e. they should be able to exercise their judgment independently and free from external influence. The board overall should be majority independent. Non-executive directors are considered independent if they have no commercial or personal ties to the company and its management constituting a conflict of interest. Factors that deny or can at least compromise the independence of non-executive directors include:

- \_ employment by the company within the last 5 years (this includes also former executive directors);
- \_ receipt of substantial payments from the company within the last 5 years that are unrelated to his/her board activities (subject to availability of information);
- \_ ownership or representation of a cumulative 10% or more of the equity capital or voting rights (i.e., controlling stockholder). This may be aggregated if voting power is distributed among more than one member of a defined group (e.g., family members who collectively own more than 10%);
- \_ board membership for more than 10 years (i.e., from year 11 onwards);
- \_ representation of a government, ministry, state, municipality or city that holds 10% or more of the equity capital or voting rights;
- \_ representation of a significant business partner.

Employee and union representatives are excluded from the independence calculation. In the different markets, some of the factors for independence will outweigh others, depending on the board/company structure, legal system and local regulatory disclosure requirements, in particular on

boards where the board members are elected on an annual basis. In those cases, we will engage with the Investee Companies correspondingly and analyze on a case-by-case basis.

In its definition of board independence, DWS will also relate to the best practice rules for corporate governance in a respective country (e.g. Common Sense Principles of Corporate Governance in the US, the German Corporate Governance Code etc.). If no such practices are defined, or in case that the respective practices fall short of the standards set by the ICGN, DWS shall refer to the definition provided by ICGN as the minimum standard: "Every company should make substantive disclosures as to its definition of independence and its determination as to whether each member of its board is independent".<sup>6</sup>

### Sustainability Performance Assessment

The assessment of a company's sustainability performance is an essential part of our stewardship process. We believe that the integration of these factors in the company's strategy is a key factor to the ability of an organization to remain competitive and create sustainable value over time. When it comes to the re-appointment and/or discharge of directors, DWS aims to carefully evaluate and hold boards accountable for their environmental and social responsibility, applying stringent guidelines such as voting against in the cases when:

- \_ the Investee Company is facing severe ESG controversies and violates internationally established norms. We will particularly analyze cases where the Investee Company reported significant and repeated failure to act in accordance with or provide adequate transparency on important responsible investment (RI) or environmental, social and governance (ESG) standards in particular frameworks and norms developed by the United Nations (i.e. UN Global Compact Principles, Sustainable Development Goals) and OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinationals. When evaluating the ESG profile of an Investee Company, we also take a closer look at the different available ESG disclosures and seek ways to

<sup>6</sup> <http://www.icgn.org/best-practice.php>

- actively engage with those who contravene these standards or failed to adequately address relevant ESG issues. We may also file shareholder resolutions advocating for enhanced ESG disclosure and management;
- \_ no information is made available in the annual report or on the Investee Company's website on the board member or committee responsible for ESG matters;
- \_ the board is insufficiently diverse.

## 1.1 Appointment and Reappointment of Directors

We will generally vote AGAINST, if one of the following applies:

- 1.1.1. The candidate is not sufficiently qualified or unsuitable for the position, i.e. due to the following:
  - \_ There are clear concerns over questionable finances or restatements of accounting figures
  - \_ There have been questionable transactions with conflicts of interest
  - \_ There have been abuses against minority shareholder interests
  - \_ The Investee Company is involved in severe ESG-controversies or fails to take adequate climate action
  - \_ Failure to adequately address ESG risk and opportunities
  - \_ Failure to adequately and timely respond to thematic engagement requests
- 1.1.2. No comprehensive disclosure on the qualification and suitability of the candidate has been provided in a timely manner.
- 1.1.3. The election of a candidate leads to an insufficient qualification structure of the board.
- 1.1.4. Director elections are carried out on a block basis and the qualification or suitability of at least one of the candidates is called into question.
- 1.1.5. The discharge has been called into question.
- 1.1.6. The director election includes a proposal that would lengthen the term of office for directors (any increase without convincing rationale will result in a vote against). We are generally supportive of staggered boards as the perpetual renewal of an appropriate proportion of the b members secures an active succession planning.
- 1.1.7. The election of a candidate in a company with a unitary board structure results in (or continues) the dual role of CEO and chairperson of the Board. This policy also applies in cases where the chair/CEO is included in an election by slate. For Investee Companies that still have a combined chair/CEO we strongly recommend appointment of an independent chair to enhance the balance of power. In exceptional circumstances, the vote recommendation can be evaluated on a CASE-BY-CASE basis when:
  - \_ the company provides a convincing rationale and assurance that the chair/CEO will only serve in the combined role on an interim basis (not longer than 2 years), with the intent of separating the roles within a reasonable time frame;
  - \_ a favorable vote recommendation for a combined chair/CEO can be considered, if the company provides adequate control mechanisms on the board (e.g., high overall level of board independence, high level of independence in the board's key committees, lead independent director that fulfils our independence criteria as outlined in section 1);
  - \_ the board chair will not receive a level of compensation substantially higher than the company's executives or assume executive functions;
  - \_ a shareholder proposal has been submitted at the annual general meeting in favor of the appointment of a nominated chair upon single election supported by a qualified majority.

- 1.1.8. An executive board member (incl. the CEO) is proposed to be elected as supervisory board member without a reasonable cooling-off period following the respective national best practices or—in cases where there is no best practice guidance—of at least two years. A former CEO or executive board member is nominated for the position of chair of the supervisory board. In markets such as Germany, where the general meeting only elects the supervisory board members, who in turn elect the chair of the new supervisory board, DWS will generally vote AGAINST the election, unless the company has publicly confirmed prior to the general meeting that the candidate will not become chair of the board. The proposal can be evaluated on a CASE-BY-CASE basis if, e.g., the former CEO or CFO is proposed to be elected as the supervisory board's chair for the first time after a reasonable cooling-off period, which corresponds to the respective national best-practices for corporate governance or—in cases where there is no best practice guidance—of at least two years, or a shareholder proposal has been submitted at the annual general meeting in favor of the appointment with a qualified majority.
- 1.1.9. If the election causes the candidate to hold more than two (2) external non-executive mandates in case the candidate assumes any executive (3 overall maximum) role or more than five (5) mandates (incl. the nominated position) in total in case the candidate assumes non-executive roles only. An executive position of CEO and also any positions of chair of the board as well as chair of an audit committee will be counted as double seats. Internal board seats count as one as long as they are clearly highlighted.  
*Note: A director's service on multiple closed-end fund boards within a fund complex are treated as service on a single board for the purpose of the proxy voting guidelines.*
- 1.1.10. If the board does not have a nomination, remuneration, or audit committee, although national best practices for corporate governance stipulate, we would vote AGAINST the chair of the board and the non-executive members.
- 1.1.11. If the election of a candidate causes the board to become insufficiently:
- a) independent (>50%);
  - b) diverse (i.e. in terms of gender representation, it lacks at least one female member) or;
  - c) balanced with regard to the main activities of the Investee Company and taking into consideration the respective country's best practice rules on corporate governance.
  - d) In such cases, we also vote against all existing members of the nomination committee and the chair of the board.
- 1.1.12. If the independent directors do not constitute the majority in the key committees (remuneration, audit, risk, nomination, presiding), the vote recommendation is an AGAINST on non-independent directors serving on these committees, the chair of the board and the chair of the nomination committee.
- 1.1.13. If shareholders are not given the opportunity to vote on the discharge of directors, the provisions under 1.2.9 apply to the re-election of directors accordingly.
- 1.1.14. If shareholders have not been given the ability to express their consent regarding a strategically and volume-wise significant transaction, takeover or merger, especially if this transaction was decided without allowing shareholders to give their consent at an AGM or EGM where the matter was discussed and appropriate corporate action should have been decided, we will vote AGAINST all directors involved.

## Executive Directors

AGAINST, if one of the following applies:

- 1.115. Serious and permanent conflicts of interest exist.
- 1.116. The CEO of the Investee Company assumes also a role as chair of the board at another company causing him/her to exceed our limit of three (3) mandates for executives, thus being overboarded.

## Non-Executive Directors

AGAINST, if one of the following applies:

- 1.117. The candidate has potential conflicts of interest that have not been sufficiently disclosed by the Investee Company.
- 1.118. The candidate does not fulfill our independence criteria (Sec V. p.10) and is intended to become chair of the audit committee.
- 1.119. In case the board fails to respond to shareholder criticism, i.e. the last say-on-pay received less than 80% support and was not supported by DWS or there are no extra-financial key performance indicators in the executive remuneration system we will vote AGAINST the re-election of the chair of the remuneration committee.
- 1.120. The election of a candidate results in a direct (up to 2 years) transition from executive to non-executive directorship. In especially warranted cases, executive directors with a long and proven track record can become non-executive directors, but not chair of the board, if this change is in line with the national best practice for corporate governance.
- 1.121. A former executive director is nominated for a membership on the supervisory board when two or more former executive directors already serve on the same board.

1.122. The candidate is a member of the audit, remuneration, governance or nomination committee, and the respective committee has made important decisions that contradict the best practice rules for corporate governance or interests of shareholders.

1.123. Nomination rights or special rights are exercised for the election proposal resulting in a disproportionate board representation of substantial shareholder, government, or founding family representatives.

1.124. The election of a candidate causes this candidate to hold more than five board seats or other comparable seats (incl. the nominated position). The role of a chair and of an audit committee chair is counted double. A CASE-BY-CASE evaluation applies if a non-executive board member also holds supervisory board appointments of a quoted subsidiary.

1.125. Attendance at board meetings is not disclosed on an individual basis in the annual report or on the Investee Company's website (a model table can be found under section II).

1.126. The candidate has attended fewer than 75% of the board and audit/risk committee meetings for the year under review without a satisfactory explanation for his/her absence disclosed in a clear and comprehensible form in the relevant proxy filings. Satisfactory explanation will be understood as any health issues or family incidents.

## 1.2 Discharge of Directors

AGAINST, in the case of:

- 1.2.1 Pending legal action or investigation against a director, such as:
  - \_ Appeal against financial statements
  - \_ Insider trading
  - \_ Bribery
  - \_ Fraud



- 1.2.2 Criminal conviction or civil action against a director.
- 1.2.3 Doubts on the accuracy of the Investee Company's disclosure of material information.
- 1.2.4 Well-founded shareholder proposals for the dismissal of a director.
- 1.2.5 Any records of abuses against minority shareholders' interests.
- 1.2.6 The Investee Company is facing severe ESG controversies and/or violates internationally established norms, thus, we hold the board members accountable. We will particularly analyze cases where the company reported significant and repeated failure to act in accordance with or provide adequate transparency on important responsible investment (RI) or environmental, social and governance (ESG) standards in particular frameworks and norms developed by the United Nations (i.e. UN Global Compact Principles, Sustainable Development Goals) and OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinationals. When we evaluate the ESG profile of an Investee Company, we also take a closer look at the different available ESG disclosures and ratings in order to assess whether the company is failing and seek ways to actively engage with companies who contravene these standards or failed to adequately address relevant ESG risks issues. We may also file shareholder resolutions advocating for enhanced ESG disclosure and management.
- 1.2.7 The discharge of directors is carried out on a block basis and the discharge of at least one of the directors is called into question.
- 1.2.8 The payout ratio exceeds 100% of the distributable profits without appropriate reason (the company pays a dividend which affects its book value).
- 1.2.9 A strategically and volume-wise significant transaction, takeover or merger was decided without allowing shareholders to give their consent at an AGM or EGM where the matter was discussed and appropriate corporate action should have been decided.
- Executive Directors**
- AGAINST, in the case of:**
- 1.2.10 Serious deficiencies in the management of the Investee Company, i.e.:
- \_ Deficient risk control and internal auditing procedures
  - \_ Due diligence violations or willful misconduct
  - \_ Insufficient actions taken regarding climate change
  - \_ Failure to address relevant/material ESG controversies
  - \_ Failure to adequately address ESG risk and opportunities
- 1.2.11 Sustained poor performance relative to industry peers respectively competitors:
- \_ Negative company results for three consecutive years, where exceptions for early stage (up to five years) companies will be considered
  - \_ Significant misjudgment in large-scale investments
  - \_ Repeated failure to achieve stated company targets, also in comparison to peer group
- 1.2.12 Executive management refuses to implement a shareholder proposal that has been approved in a preceding general meeting.
- Non-Executive Directors**
- AGAINST, in the case of:**
- 1.2.13 Clear deficiencies in the monitoring of the Investee Company through neglect of the obligatory supervisory duties of management.

- 1.2.14 Concerns that the board has not acted in the best interest of shareholders.
- 1.2.15 Following DWS' standards, board independence is less than 50% and at the same time the chair of the audit committee is not considered independent.
- 1.2.16 Attendance at board meetings is not disclosed on an individual basis in the annual report or on the Investee Company's website.
- 1.2.17 No information is made available in the annual report or on the Investee Company's website who is the board member responsible for ESG matters.
- 1.2.18 Executive as well as non-executive remuneration is not disclosed on an individual basis.
- 1.2.19 No reasonable age limits are set and disclosed in the annual report or the Investee Company's website for executive and non-executive directors. We appreciate a degree of relevant experience in the boards as long as the boards also ensure that regular refreshment measures are in place and the overall diversity is secured.
- 1.2.20 The resume/CV of each executive and non-executive director is not permanently published on the Investee Company's website and does not state the year the individual was first appointed, information about the qualification, the year of birth and any mandates (incl. external listed companies, internal mandates, mandates also related to other than commercially oriented organizations, i.e. NGOs, NPOs).
- 1.2.21 The articles of association are not available on the Investee Company's website.
- 1.2.22 Additional board mandates acquired during the term that then result in a total number of mandates exceeding five.
- 1.2.23 We generally expect the boards to review their performance internally on an annual basis and to assess their efficiency on a regular basis externally (i.e. every three years). We furthermore expect a transparent and appropriate reporting in the corporate governance section of the annual report.
- 1.2.24 The remuneration system for the executive management includes disproportionate/excessive special payment mechanisms, i.e. golden parachutes, golden handshakes, sign-on bonuses or is not regularly (at least every four years or in case of major changes) put to shareholder vote at the AGM.
- 1.2.25 We will vote AGAINST the discharge of the chair of the remuneration committee in case the board fails to respond to shareholder criticism, i.e. the last say-on-pay received less than 80% support and was not supported by DWS.

## 2 Management and Board Remuneration

We expect that our interests as shareholders are reflected in the incentivization of the executive management of an Investee Company we are invested in. Therefore, we place high scrutiny on the structure, elements and appropriateness of the remuneration system. Furthermore, we expect a transparent and comprehensive disclosure on remuneration paid. The first section sets out our expectations regarding an ex-ante vote on the system. The latter part focuses on the structure, design and content of the remuneration report that we will vote on an ex-post basis.

### 2.1 Remuneration System/Policy

Generally AGAINST, if:

- 2.1.1 The remuneration system is not geared to the sustainable long-term success of the Investee Company, incentivizes disproportionate and unreasonable risk taking, is substantially out of line with a relevant peer group, resulting in an insufficient and/or inadequate alignment with the interests of shareholders.
- 2.1.2 The system of performance measurement and remuneration is not transparent, comprehensible and does not demonstrate how strategic objectives are factored in.
- 2.1.3 The remuneration system is changed without an appropriate and notable improvement of its success-related components.
- 2.1.4 The structure of the compensation scheme does not comply with internationally recognized best practice.
- 2.1.5 The information provided to shareholders on the ratification of compensation schemes or compensation reports is neither sufficient nor comprehensible enough to allow shareholders to easily assess and evaluate the principles,

structure and various components of the compensation scheme.

- 2.1.6 The proposals bundle compensation for both non-executive and executive directors into a single resolution.
- 2.1.7 The fixed elements of the executive remuneration system disproportionately exceed the variable components (excluding companies with major shareholders at state level).
- 2.1.8 Variable compensation is substantially linked to dividend payments.
- 2.1.9 Variable compensation is not geared to medium- and long-term success criteria and a relevant sector comparison over an appropriate medium timescale (i.e. three years).
- 2.1.10 The remuneration system includes any disproportionate/excessive special payment clauses that are inappropriate compared to the executives' performance, i.e. golden parachutes, golden handshakes, sign-on bonuses, severance and non-compete clauses, appropriate change-in-control-clauses, etc.
- 2.1.11 The remuneration committee is entitled to any discretionary adjustments ex-post the performance period that would increase or decrease bonus payments. Whenever such discretion is given to the remuneration committee, we expect transparent and comprehensible disclosure about the mechanisms, amounts and procedures ex-ante.

### Executive Directors

Generally AGAINST if:

- 2.1.12 Remuneration paid to management is not in line with performance, disproportionate, or incommensurate in relation to that of comparable businesses.

- 2.1.13 No convincing bonus malus system is in place that entitles the Investee Company to withhold or reduce the payment of variable compensation or the system does not affect the respective board members for at least three years after their retirement.
- 2.1.14 No system is in place that entitles the Investee Company to recover any sums already paid (e.g. clawback system). Deviations are possible wherever the company provides a reasonable explanation why a clawback was not implemented.
- 2.1.15 The individual directors' remuneration components are not disclosed in detail and by name (salary, short- and long-term bonuses, options and pension programs, other benefits including hiring bonuses or severance payments as well as payments from allied companies).
- 2.1.16 The financial and extra-financial key performance indicators that influence and are used to calculate short-term and long-term variable compensation are not disclosed.
- 2.1.17 Key performance indicators or parameters that influence variable compensation can be retrospectively adjusted (backdating).
- 2.1.18 The remuneration system allows the use of adjusted operating performance measures.
- 2.1.19 Allotments and exercise terms of stock option plans or similar incentives are not disclosed.
- 2.1.20 There is no cap on the maximum amount of remuneration set by the board.
- 2.1.21 The performance criteria for reaching the exercise target of equity-linked variable performance plans are strongly tied to the development of the share price.
- 2.1.22 The first exercise date for option programs is earlier than three years.

- 2.1.23 Equity incentive plans result in an dilution of more than 10% of the actual issued share capital.
- 2.1.24 There is no shareholding requirement for executive directors, i.e. no share ownership guidelines are in place.

### Non-Executive Directors

#### Generally AGAINST if:

- 2.1.25 Remuneration is inadequate or disproportionate in relation to that of a relevant peer group.
- 2.1.26 Remuneration is not comprehensively disclosed with its constituent components.
- 2.1.27 The variable compensation component (for committee membership or for chair/vice chair) accounts for more than 50% of total remuneration.
- 2.1.28 Members (of the audit and the risk committees) receive any additional compensation (i.e. fees for consulting services), which is not already covered by her/his existing remuneration plan.
- 2.1.29 The remuneration committee has discretion for substantially altering the compensation schemes without approval of the general meeting.

## 2.2 Remuneration Report

#### Generally AGAINST, if:

- 2.2.1 The remuneration system is not geared to the sustainable long-term success of the Investee Company, incentivizes disproportionate and unreasonable risk taking, is substantially out of line with a relevant peer group, resulting in an insufficient and/or inadequate alignment with the interests of shareholders.

- 2.2.2 The system of performance measurement and remuneration is not transparent, comprehensible and does not demonstrate how strategic objectives are factored in.
- 2.2.3 The remuneration report does not provide sufficient disclosure on the short-term and long-term target achievement levels and remuneration paid, granted and/or vested is not individually disclosed.
- 2.2.4 The report does not outline under which circumstances clawback clauses are applicable, for which elements of the remuneration they apply and for what period these are in place, i.e. examples for compliance clawbacks and knock-out criteria for performance clawbacks.
- 2.2.5 In case of changes or the exercise of discretionary adjustments, no reasonable explanation is provided.
- 2.2.6 The report does not provide transparency on chosen indices, benchmarks or peer groups.
- 2.2.7 The individual directors' remuneration components are not disclosed in detail and by name (salary, short- and long-term bonuses, options and pension programs, other benefits including hiring bonuses or severance payments as well as payments from allied companies).
- 2.2.8 The financial and extra-financial key performance indicators that influence and are used to calculate short-term and long-term variable compensation are not disclosed.
- 2.2.9 Key performance indicators or parameters that influence variable compensation have been retrospectively adjusted (backdating).
- 2.2.10 Remuneration paid to management is not in line with performance, disproportionate, or incommensurate in relation to that of comparable businesses.
- 2.2.11 The structure of the compensation scheme does not comply with internationally recognized best practice.
- 2.2.12 The information provided to shareholders on the ratification of compensation schemes or compensation reports is neither sufficient nor comprehensible enough to allow shareholders to easily assess and evaluate the principles, structure and various components of the compensation scheme.

### 3 Audit-Related Agenda Items

#### 3.1 Ratification of Audit Reports

AGAINST, if one of the following applies:

- 3.1.1 The Investee Company faces serious legal action, i.e. investigation by prosecutors or regulators (regarding the correctness of the accounts or other illegal activities).
- 3.1.2 The information provided to shareholders is insufficient according to generally accepted accounting principles and international best practice for corporate governance.:
  - \_ There are material doubts concerning the quality, credibility and completeness of the available information.
  - \_ The Investee Company does not respond appropriately to legitimate claims for additional information on the accounts.
- 3.1.3 There are substantial concerns about key audit procedures.

#### 3.2 Appointment and Remuneration of the Auditor

AGAINST, if one of the following applies:

- 3.2.1 There are material doubts concerning the accuracy of the audit report (e.g., lawsuits or investigations).
- 3.2.2 There are serious concerns about the procedures applied by the auditor.
- 3.2.3 The audit report admits serious mistakes, yet the same auditor is nominated for reappointment at annual general meetings.
- 3.2.4 The name and the term of appointment of the audit firm and the responsible lead audit partner is not made public.

3.2.5 The disclosure of any advisory services, which have also been performed by the auditor, is insufficient for judging the auditor's independence.

3.2.6 External auditors have previously served the Investee Company in an executive capacity or can otherwise be considered affiliated.

3.2.7 The auditing fees have not been published separately, in particular the advisory fees and other non-audit fees.

3.2.8 The fees for non-audit services exceed reasonable standards for annual audit-related fees and the Investee Company does not provide a satisfactory reason for this case. This rule does generally not apply for services related to initial public offerings and mergers & acquisitions. Furthermore, it only applies to Investee Companies listed on any main country index and/or the MSCI EAFE (Europe Australasia and Far East) index.

3.2.9 The same person signing the audit report as the responsible lead audit partner has been appointed for more than five years.

3.2.10 The audit firm that has audited the Investee Company for more than ten years is re-appointed without a reasonable explanation and transparency regarding the nominating process.

3.2.11 The Investee Company does not publish the name of its lead audit partner and the duration for which she/he has been previously appointed.

3.2.12 The auditors are unexpectedly being changed without detailed explanation.

## 4 Financial Accounts, Use of Profits and Share Capital Related Items

Capital measures, i.e. equity issuances and share repurchases, are in the interest of shareholders as long as they strengthen the long-term success of the company. However, to evaluate this, companies need to provide adequate information to shareholders about their financing strategies.

### 4.1 Financial Accounts, Statements and Reports, Incl. Non-Financial Reports

AGAINST, if one of the following applies:

- 4.1.1 The Investee Company fails to provide financial and non-financial accounts or reports on time, i.e. within the respective timeframe given by the regulators or stock exchange.
- 4.1.2 The Investee Company faces serious legal action (regarding the accuracy of the accounts or other illegal activities).
- 4.1.3 The information provided to shareholders is insufficient according to generally accepted accounting principles and international best practice for corporate governance.
  - \_ There are material doubts concerning the quality, credibility and completeness of the available information.
  - \_ The Investee Company does not respond appropriately to legitimate claims for additional information on the accounts.
- 4.1.4 There are substantial concerns about key audit procedures.

## 4.2 The Use of Net Profits and Reserves, Capital Management

Generally, AGAINST, if one of the following applies:

- 4.2.1 The dividend payout ratio has been below 20% for two consecutive years despite a limited availability of profitable growth opportunities unless management has provided adequate reasons for this decision.

### 4.3 Equity Issuances & Other Financing Instruments

Comprised in this definition are the issuance of common stock with or without subscription rights and the issuance of convertible securities or securities with warrants.

AGAINST, if one of the following applies:

- 4.3.1 The Investee Company issues stock with multiple voting rights or other control enhancing rights.
- 4.3.2 The Investee Company issues preferred shares without voting rights and
  - a) the need for additional share capital to carry out the Investee Company's business has not been concluded by the non-executive board;
  - b) no clear statement on the anticipated use of the capital and how this promotes the interests of existing shareholders has been published;
  - c) preferred shareholders do not receive a meaningfully higher dividend rate (i.e. 10%).
- 4.3.3 The Investee Company issues participation rights.
- 4.3.4 Requests for the issuance of preferred shares are assessed on a CASE-BY-CASE basis, in light of the company's history of capital increases as well as its corporate governance profile.



- 4.3.5 The cumulative equity issuances without subscription rights (historical and across instruments) exceed the maximum level specified in a respective country's best practices for corporate governance or 10% of the Investee Company's outstanding share capital. For Germany, vote against equity issuances without subscription rights with:
- a) cash contribution (at or near market price) that exceed 10%, and;
  - b) contributions in kind that exceed 10% of outstanding share capital.
- 4.3.6 The combined authorization for equity issuance of all equity instruments with subscription rights exceeds 40% of the outstanding share capital or the prevailing maximum threshold as stipulated by best practice rules for corporate governance in the respective country or exceeds three years. Exceeding either of the two thresholds will be judged on a CASE-BY-CASE basis,<sup>7</sup> provided that the subscription rights are actively tradable in the market.
- 4.3.7 The equity issuance has the purpose of defending against takeover threats (e.g. poison pills).
- 4.4.3 The share repurchase has the purpose of defending against a takeover threat.
- DWS will vote on a CASE-BY-CASE basis if one of the following applies:
- 4.4.4 The equity issuance violates the given thresholds.
  - 4.4.5 The management provides an adequate rationale.
  - 4.4.6 The maximum offer premium exceeds of 10%.
  - 4.4.7 The share repurchase program exceeds 10% of the daily trading volume.

## 4.4 Share Repurchases

DWS will generally vote AGAINST the share repurchase if one of the following applies:

- 4.4.1 The share repurchase does not ensure equal treatment of all shareholders.
- 4.4.2 The Investee Company is in financial distress and the repurchase program is not adequately reasoned.

<sup>7</sup> In case the Investee Company finds itself in financial distress and adequately reasons an equity issuance program of this size.

## 5 Statutes & Legal Structure Agenda Items of The Investee Company

### 5.1 Amendments Of The Articles

AGAINST proposed amendments of the articles if one of the following applies:

- 5.1.1 The amendment negatively impacts the rights and interests of shareholders.
- 5.1.2 The Investee Company has not provided sufficient information in order to assess the consequences of changes in the corporate bylaws with respect to the rights of shareholders.
- 5.1.3 The amendment is not in line with the long-term sustainable development of the Investee Company or endangers the continuity of the business.
- 5.1.4 Multiple voting rights are established.
- 5.1.5 Package/block voting (i.e., bundled resolutions) is introduced.
- 5.1.6 The amendment would lengthen the term of office for non-executive directors to over three years, or is not in line with best practice or laws of in the relevant country.

## 6 Market for Control

### 6.1 Anti-Takeover Mechanisms

AGAINST, if one of the following applies:

- 6.1.1 The anti-takeover proposal does not require shareholder approval.
- 6.1.2 The proposal strengthens the takeover defenses of the Investee Company. An exception can be considered, if the Investee Company issues a convincing explanation why the proposed measure is necessary for the continuity of the business and in line with the sustainable development of the company.
- 6.1.3 Gives the government or other bodies a direct or an implicit "golden share" in the Investee Company.

### 6.2 Mergers & Acquisitions

AGAINST, if one of the following applies:

- 6.2.1 The Investee Company is an acquisition target and an appropriate takeover premium is not offered.
- 6.2.2 The annual general meeting has not been provided with sufficient information on the transaction.
- 6.2.3 The fairness opinion has neither been issued by an independent source, nor has it been presented to the annual general meeting and/or contains major concerns.
- 6.2.4 The Investee Company is the target or targets another business for a merger or acquisition, and there are significant concerns surrounding the deal (e.g. strategy, synergies, reasoning, reputation, valuation, governance). DWS will evaluate any proposal on a CASE-BY-CASE basis.

- 6.2.5 Potential conflicts of interest exist, such as incumbents with access to non-public information inappropriately benefit from the transaction compared to shareholders who have no access to such information. On a CASE-BY-CASE basis, DWS will consider whether any special interests have influenced directors and officers to support or recommend the merger or acquisition.
- 6.2.6 The prevailing legislation and rules at the place of business or corporate governance of the newly combined entity significantly diminish the rights of shareholders or impacts their interests negatively (e.g. high exit-taxes, lower or infrequent reporting standards).
- 6.2.7 On a CASE-BY-CASE basis, if an Investee Company engages in an acquisition and its management does not have a favorable track record of successfully integrating acquisitions.

## 7 Related-Party Transactions

### 7.1 Evaluation of Related-Party Transactions (RPT)

In evaluating resolutions that seek shareholder approval of related party transactions (RPTs), DWS votes on a CASE-BY-CASE basis, where we consider factors including, but not limited to, the following:

- 7.1.1 The parties on both sides of the transaction.
- 7.1.2 The stated rationale for the transaction, including discussions of timing.
- 7.1.3 The size and the nature of the asset to be transferred or services to be provided.
- 7.1.4 The applicable thresholds following the implementation of SRD II, i.e. 1.5% of assets.
- 7.1.5 The pricing of the transaction (and any associated professional valuation).
- 7.1.6 The views of independent directors.
- 7.1.7 The views of an independent financial adviser.
- 7.1.8 Whether any entities party to the transaction, (including advisers) are conflicted.

Generally AGAINST, if one of the following applies:

- 7.1.9 in case the Board does not report on the formal process of identification, mitigation, documentation and information on RPTs.

### 7.2 Transactions Not Being Put For Shareholder Vote

- 7.2.1 If a transaction is deemed problematic but has not been put to a shareholder vote, DWS may vote AGAINST the election of the director involved in the related-party transaction or the entire board. We emphasize and prompt Investee Companies to provide increased transparency on the RPTs as well as the disclosure of the board's dealing with potential conflicts of interests.

## 8 Shareholder Proposals

DWS is GENERALLY supportive of shareholder proposals that enhance shareholder rights (i.e. proxy access but also board-related), foster reporting and increase transparency and votes.

### 8.1 Board-Related Proposals

- 8.1.1 FOR proposals to separate the chair and CEO positions.
- 8.1.2 AGAINST proposals to stagger the board in Investee Companies where an annual re-election is already in place.
- 8.1.3 FOR proposals to revoke staggered boards and elect all directors annually.
- 8.1.4 FOR proposals asking for at least a majority of the board to be independent.
- 8.1.5 FOR proposals requiring that the chair position to be independent.
- 8.1.6 FOR proposals that require the establishment of key committees, (remuneration, audit, risk, nomination, presiding)
- 8.1.7 FOR proposals to restrict a supervisory Board member from serving on more than five supervisory Boards (where chair and chair of the audit committee counts double)
- 8.1.8 FOR proposals that require to nominate at least one board member as expert on sustainability and/or to establish a dedicated sustainability committee.
- 8.1.9 FOR proposals that require the board to enhance its diversity.
- 8.1.10 Generally FOR reasonable proposals to include workforce representation at board level.

Note: A director's service on multiple boards within a fund complex is exempt from the above rule for the purpose of the proxy voting guidelines. Conditions from 1.1.10 apply accordingly.

### 8.2 Other Governance-Related Proposals

- 8.2.1 Generally FOR shareholder proposals for proxy access, which have an appropriate ownership requirement (not more than 3% of voting power), duration (not longer than three years of continuous ownership for each of the nominating members), accumulation (very small or no restrictions on the number of shareholders allowed to create a nominating group) and cap on candidates of 25% of the board.
- 8.2.2 AGAINST proposals to require a supermajority vote to amend the bylaws.
- 8.2.3 FOR proposals to amend or cancel existing supermajority requirements.
- 8.2.4 FOR proposals asking for the right to act on written consent in cases where Investee Companies do not provide sufficient measures for shareholders to act in such a manner, i.e. the right to call for a special meeting by shareholder requires a threshold exceeding 10%.
- 8.2.5 FOR proposals that ask for increased transparency on lobbying expenditures, political donations and comparable payments.
- 8.2.6 FOR proposals seeking more frequent rotation of audit firm than required by law.
- 8.2.7 Generally, FOR proposals that call for a special audit when there are reasonable doubts about the accounting practices and the presentation of financial statements.
- 8.2.8 FOR proposals that enhance the exercise of shareholder rights during the meetings (AGM, EGM, etc.) incl. participation in virtual formats.

### 8.3 Environmental and Social Proposals

DWS is generally supportive of ESG-related shareholder proposals while considering recognized standards, i.e. The Ceres Roadmap for Sustainability, The Ceres Blueprint for Sustainable Investing, the Sustainability Development Goals, the UN Global Compact, the TCFD framework and the goals of the Paris Agreement from December 2015 (COP21) and evaluates them on a CASE-BY-CASE basis.

- 8.3.1 FOR reasonable proposals asking Investee Companies to prepare sustainability reports, including those requesting disclosure consistent with TCFD, SASB, GRI, or other internationally recognized sets of guidelines.
- 8.3.2 FOR reasonable proposals requesting that Investee Companies conduct social and/or environmental audits and/or risk assessments of their activities in general.
- 8.3.3 FOR reasonable proposals to reduce negative environmental impacts and an Investee Company's overall environmental footprint, including any threats to biodiversity in ecologically sensitive areas.
- 8.3.4 FOR reasonable proposals asking to establish biodiversity and environmental protection standards and conduct independent review processes.
- 8.3.5 FOR reasonable proposals asking Investee Companies to report on their environmental practices, policies and impacts, including environmental damage and health risks resulting from operations, and the impact of environmental liabilities on shareholder value.
- 8.3.6 FOR reasonable proposals asking Investee Companies to adopt greenhouse gas reduction targets, commit to net zero, considering science-based targets, including information on greenhouse gas emissions (including carbon, methane, and all other recognized greenhouse gases), mitigation targets as well as the Investee Company's climate transition plan.

- 8.3.7 FOR reasonable proposals requesting that Investee Companies adopt fair labor practices consistent with recognized international human rights standards, including policies to eliminate gender-based violence and other forms of harassment from the workplace, as well as proposals asking an Investee Company to prepare a report on its efforts to promote a safe workplace for all employees.

- 8.3.8 FOR reasonable proposals asking an Investee Company to provide data according to e.g. EEO-1 requirements revealing a company's workforce race, ethnicity, and binary gender makeup and/or to adopt a diversity policy and/or issue DE&I reports..

When voting, we will take the Investee Company's existing practices into consideration and will vote AGAINST, if one of the following applies:

- 8.3.9 The proposal undermines the Investee Company's corporate governance, business profile or existing practices and disclosures.
- 8.3.10 The proposal limits the Investee Company's business activities or capabilities.
- 8.3.11 The proposal generates significant costs with little or no benefit.

## 9 Country-Specific Application

### 9.1 Japan

We acknowledge what has been achieved in the last couple of years in the corporate governance developments in Japan and support the progress, which has been made in that regard, in particular with the introduction and review of the corporate governance and Stewardship codes. We aspire to be in a constructive dialogue with our investees and to act as their steering partner to drive further developments in the corporate governance area.

#### **Independence:**

With reference to our policy on board composition, we expect Investee Companies, which define the role of the board to have a supervisory function instead of an executive function, to ensure that at least 1/3 of the members are considered independent. Nevertheless, we encourage Investee Companies to establish a majority independent board to meet the international best practice requirements.

With reference to our policy of defining independence, outlined earlier in this document, in Japan as significant shareholders we will consider those who are in the top ten shareholders, even if their holding represents a share of less than 10%, mainly due to the market practice in Japan for business partners to own a certain percentage of each other's shares as cross shareholders.

#### **Board Composition:**

With reference to our policy on the separation of the CEO and chair roles and responsibilities, we strongly encourage our Japanese investees to disclose the member, who chairs the board as well as the member, who is considered to chair the company, the so called "Kaicho", if these roles are separated. A retiring CEO should not become chair of the board as these

two roles involve different responsibilities and approaches. We expect our Investee Companies to incorporate gender diversity into their composition and refreshment processes and to have at least one female director on their board. Furthermore, we encourage Investee Companies to set reasonable age limits.

We also expect and foster our investees in Japan to establish the relevant formal committees— nomination, remuneration and audit—which are at least majority independent, incl. statutory auditors.

#### **Capital Management and Cross-Shareholdings:**

We expect Investee Companies to foster sustainable long-term value creation by efficient capital management. Measures that support this include reduction of cross-shareholdings, conversion of excess cash-position into efficient investments. In case of repeated proof of inefficient capital management and an underperformance on return of equity (ROE), i.e. below 5% over the last five fiscal years we vote AGAINST the election of executive directors. We also vote AGAINST top executives at an Investee Company that allocate a significant portion (20% or more) of its net assets to cross-shareholdings.

#### **Disclosure**

Listed Investee Companies should disclose and provide necessary information in their disclosure documents in English. Furthermore, we expect Investee Companies to comply with and report on applicable internationally accepted and established standards and frameworks i.e. GRI, IIRC, SASB, TCFD that enable investors to act responsibly. Investee Companies should set ambitious targets for mitigating and managing E&S risks and opportunities. We encourage all Investee Companies to commit to net zero and set and science-based targets.

## 10 Afterword

Our dedicated Corporate Governance Center based at DWS Investment GmbH's Chief Investment Office for Responsible Investment continuously evaluates our understanding of good governance and communicates this to our Investee Companies. The members of the Corporate Governance Center are responsible for further developing DWS's corporate governance understanding and framework as well as to promote its application across the investment platform.

At DWS, we seek to build constructive long-term relationships with our Investee Companies as part of our stewardship responsibilities. Our on-going dialogue with the management of Investee Companies focuses also on ESG topics as part of the regular discussions and we share our understanding of good corporate governance and its importance for our investment objectives. We support measures to enhance the communication between the chair and investors without violating the equal treatment of shareholders.

DWS Investment GmbH  
Mainzer Landstraße 11-17  
60329 Frankfurt am Main



