DWS UK strives to establish, maintain and develop genuine partnerships, not only with its clients but with the wider communities and societies in which we live and work. It is our responsibility as an investment manager to publicly disclose relevant policies related to our stewardship responsibilities; this includes our Conflicts of Interest Policy as well as a Corporate Governance & Proxy Voting Policy. We also believe that active stewardship exercised via a constructive dialogue and engagement with companies as well as the appropriate exercise of our voting rights can play an important role not least to fulfil our fiduciary responsibilities. Effective oversight is a key component of our stewardship responsibilities and we ensure that monitoring and disclosure of transactions and voting activities is performed in line with local jurisdiction.

This Compliance Statement is intended to highlight how DWS UK discharges its responsibilities under the UK Stewardship Code and to provide an overview of its approach to the principles of the UK Stewardship Code to ensure adherence with its fiduciary duties and local requirements where relevant.

In line with the global business model of DWS, DWS UK may subcontract specific tasks to Deutsche Bank entities based in key hubs located in Germany, Asia and the US. As a result, the practical application of the UK Stewardship Code may vary across the investment management activities carried out by different legal entities to ensure adherence to the UK Stewardship Code as well as to local laws, codes on stewardship and corporate governance requirements applicable in the subcontractor’s jurisdiction.
Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

DWS UK has a long-standing record in exercising its fiduciary duties in the best economic interest of its clients. As a global investor, these stewardship responsibilities are discharged across asset classes and jurisdictions, following the respective frameworks and regulations, with a long-term perspective and a commitment to constructively engage with our investee companies.

To fulfil not only our fiduciary duty but also to create and enhance value for our clients, we document our adherence to corporate governance requirements in our publicly available Corporate Governance & Proxy Voting Policy\(^1\) and our Responsible Investment Statement\(^2\), where we frame our philosophy and principles that guide our Responsible Investments. Client centricity is at the heart of what we do, helping our clients to fulfil their financial objectives by implementing their investment beliefs as well as their stewardship responsibilities. Responsible investment is part of our fiduciary duty and we seek to deliver strategies to our clients that preserve and enhance risk adjusted returns. This includes the integration of Environmental Social and Governance (ESG) factors as well as dedicated active ownership activities. Active ownership is exercised via a constructive and long-term oriented dialogue and engagement with management of companies and supervisory boards.

In our Corporate Governance & Proxy Voting Policy, we explain our voting approach, outline our core governance values and describe in detail how we will vote on AGM-proposals. Additionally, we describe our approach in relation to governance-specific engagement. This approach begins with the regular management meetings that the analysts and portfolio managers of DWS conduct each year. In these meetings, we address economic and financial performance, matters of strategy, as well as matters related to Environmental, Social and Governance-factors.

We seek to build constructive long-term relationships with our investee companies as part of our stewardship responsibilities.

We share our understanding of good Corporate Governance and its importance for our investment objectives. Furthermore, we conduct regular screenings of our holdings based on various ESG indicators to determine and crosscheck the watch list of our major holdings. Our Corporate Governance & Proxy Voting Policy also reflects on Environmental and Social topics in order to pursue sustainable company value and responsible investing. Our engagement approach also includes regular letters to our investee companies at the beginning of the voting season, in which we enclose our updated Corporate Governance & Proxy Voting Policy. Governance-specific engagement via calls or meetings with senior management or board members is another means of engagement for us. We also attend AGMs in person and publicly voice our criticism if we feel it necessary. Finally, we exercise our voting rights either via proxy or by personally attending the AGM, focusing on four main areas: Board of Directors, Executive Remuneration, Treatment of Shareholder Rights and Auditor-related issues. To properly exercise our voting rights, we utilise two external service providers that analyse the AGM-agendas based on our proprietary Corporate Governance & Proxy Voting Policy. For international holdings ISS provides us with in-depth custom-research and for German holdings we receive this from IVOX/Glass Lewis. As directors should represent and protect the interests of the shareholders vis-à-vis the executive management, they have a crucial role and the sound and well-balanced composition is a decisive factor in the governance-quality of a company.
New roles of Head of Responsible Investments and Strategic Relationships, and Global Client Group Head of Responsible Investing were established. These are both global positions within DWS such is the value and importance we place on DWS acting as, and being seen as a responsible investor. The dedicated Corporate Governance Centre develops, evaluates and maintains the procedures and frameworks for the fulfilment of our stewardship responsibilities and is responsible for the oversight of us correctly exercising our voting rights.

**Principle 2**

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed. DWS adheres to the Global Conflicts of Interest Policy of Deutsche Bank Group and conducts its business according to the principle that it must manage conflicts of interest fairly, both between itself and its clients and between one client and another.

DWS has business-specific procedures in place that address the identification and management of actual and potential conflicts of interest that may arise in the course of the asset manager’s business. These include controls on product design, being part of universal banking group, employee remuneration and client onboarding.

In order to effectively identify and manage conflicts of interest related to voting, DWS maintains a series of procedures and controls which include, but are not limited to:

- The exercise of voting rights is carried out solely following DWS’s proprietary processes and policy, and is fully independent from Deutsche Bank AG.
- Conflicts arising from being majority owned by Deutsche Bank AG are addressed by maintaining strict segregation of duties between Deutsche Bank and DWS, and controlling and clearing access to sensitive information and transactions through the Compliance Department.
- Oversight of conflicts is discharged via regional risk committees with strong oversight from relevant control functions, including, but not limited to Compliance and Legal departments. In addition, appropriate disclosures of potential and actual conflicts are made in product documentation and marketing material.
- Proxy voting-identified potential and actual conflicts of interest are discussed with the relevant Conflicts Representative and Compliance officer at the earliest possible time, and logged in the conflicts of interest register. Appropriate mitigation is identified and implemented. The detail of any mitigation to be included in the register includes: action description, owner, due date and status.
- Any cases when actual conflicts of interest in relation to voting and M&A transactions arise due to us holding both companies in our portfolios, are resolved on a “case-by-case” basis. Decisions are made on a fund level by the Proxy Voting Group, depending on position weight, and acting in the investors’ best interest. The decision is made on a company level and analysed separately for the relevant funds. In such cases, we might find it in the clients’ best interest to vote for each fund separately and differently. When both companies are held in the same portfolio simultaneously, we will vote to the advantage of the company which has the higher weight in the portfolio (based on a decision by the Proxy Voting Group assuming that the takeover offer is considered to be realistic/realizable).

DWS’s approach to proxy voting and securities lending is driven solely by our client’s economic interest.
Principle 3

**Institutional investors should monitor their investee companies.**

In our investment process we follow a thorough bottom-up research approach that combines sector specialisation with local country expertise. This enables us to cover a broad market spectrum based on independent fundamental analysis or indices tracking. The research and monitoring concept is fully integrated into our investment approach and carried out by Portfolio Management and the Corporate Governance Centre. The results are primarily based on in-depth visits with companies (including on-site visits) and insights regarding management quality specifically with regard to strategy, corporate governance and ESG aspects.

Ongoing dialogue with the management of investees allows us to focus on the company's business model, strategic outlook, financials, supply chain and risk management as well as its corporate governance structure. By putting all this information together, we aim to evaluate the company's business model, its future credit quality, growth trend and can assess capital returns.

In our engagement with management we address ESG topics as part of our regular discussions. We conduct frequent screenings of our holdings based on various ESG indicators. Environmental and Social topics, which we believe should be part of our investees' agendas, are also covered in our corporate governance guidelines in order to aim for sustainable and responsible investing. Our long-standing experience and expertise in corporate governance are the foundations of our corporate governance understanding which is reflected in our internationally-oriented proprietary guidelines. This may lead to deviating perspectives from national codes. For further and more detailed information we refer to the information provided under principle 1 and the related documents.

In certain circumstances we may become an insider. Where we become an insider, we act in accordance with Deutsche Bank policies and processes and with local laws.

Principle 4

**Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.**

We exercise our fiduciary duty by engaging with companies in various ways, participating in regular company visits and one-on-one meetings with management teams globally. We participate in shareholder general meetings directly, by proxy voting and are also invited to bondholder meetings. As we strive to identify early trends in corporate governance, we also take part in working groups and regularly attend relevant conferences.

We follow a stringent step-by-step escalation approach in order to engage with our portfolio-companies. Engagements are documented in our proprietary governance-engagement database and are monitored constantly. We prioritise and structure our governance-engagement activities towards upcoming annual or extraordinary general meetings of companies and relevant topics that may also be communicated via press or media.

Our investees receive our annual letter in which we inform them about our governance expectations and include our latest Corporate Governance & Proxy Voting policy. In some cases, companies pro-actively approach us to discuss governance-issues in preparation well ahead of their annual general meeting. We also raise any governance issues during the regular management meetings together with our portfolio management teams.

Particularly when we have identified specific governance issues, i.e. board composition, board independence, executive remuneration, succession planning for boards,
auditor issues, major M&A-transactions or relevant environmental and social issues, we hold extraordinary meetings with executive management and the supervisory board chairman. If this engagement is deemed unsuccessful, we will then escalate our engagement and will send letters to members of both boards (management and supervisory). Furthermore, we attend annual general meetings in person and raise our concerns publicly. When appropriate we also support and file shareholder proposals. As a last resort, we vote accordingly and against management proposals, in line with our Corporate Governance & Proxy Voting Policy.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

We are willing to work with other investors when we believe it is likely to enhance our ability to engage with companies in which we invest on behalf of our clients and when it is permitted by law and regulation. Currently, the legal situation in some jurisdictions may not allow an act of collective engagement due to acting-in-concert suspicions. In such cases we refrain from any collective cooperation with other investors; however, we exchange views on governance issues on general level with other asset managers and working groups, committees and networks related to corporate governance.

Furthermore, in 2017 we became part of the Climate Action 100+ initiative, which is a new five-year investor-led initiative to engage more than 100 of the world’s largest corporate greenhouse gas emitters to curb emissions strengthen climate-related financial disclosures and improve governance on climate change risks.

To that end, various DWS entities at a global level are active members of a number of industry bodies and relevant working groups and networks, such as:

— the German Fund Association (BVI),
— the German Society of Financial Analysts and Asset Management (DVFA),
— the Investment Association (IA) in the UK,
— the European Fund and Asset Management Association (EFAMA),
— the International Corporate Governance Network (ICGN),
— the International Integrated Reporting Council (IIRC),
— the Institutional Investors Group on Climate Change (IIGCC),
— the Investor Network on Climate Risk (INCR),
— the German Forum on Responsible Investing (Forum Nachhaltige Geldanlagen (FNG)),
— the UK Sustainable Investment Forum (UKSIF),
— the Coalition for Environmentally Responsible Economies (Ceres).

Furthermore, we have been a signatory to the UN Principles for Responsible Investments (UN PRI) since 2008. We do not engage collaboratively on company-specific issues due to the operational and regulatory risks arising from different national regulatory requirements. However, we exchange views on governance issues at a general level with other asset managers also in working groups, committees and networks related to corporate governance. Furthermore, in 2017 we became part of the Climate Action 100+ initiative, which is a new five-year investor-led initiative to engage more than 100 of the world’s largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change risks.

All of the above allows for communication and cooperation between shareholders and companies on social, ethical and environmental matters, and matters of corporate governance.
**Principle 6**

Institutional investors should have a clear policy on voting and disclosure of voting activity.

DWS UK sees good corporate governance as a source of better company performance and share price in the longer term. Our aim is that our Corporate Governance & Proxy Voting Policy reflect our understanding of good corporate governance that is built on more than 20 years of experience and expertise. We strive to incorporate global governance trends that we discuss in industry working groups. Our Corporate Governance & Proxy Voting Policy is reviewed and updated annually before the start of the AGM season.

When exercising our voting rights on behalf of our client investors or engaging with the portfolio companies, we apply a strict set of rules and openly communicate our governance-expectations towards our portfolio companies at the beginning of each year. Our governance understanding is focused on four main areas:

- board of directors,
- executive remuneration,
- treatment of shareholder rights,
- auditor related items.

For agenda items not covered in the Proxy Voting Guidelines, voting decisions of particular significance for a 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 & Proxy Voting Policy, our Proxy Voting Group is the ultimate decision-making body. This group is composed of senior managers from the Corporate Governance Centre, the Equity Research team and Portfolio Management to ensure an effective, timely, and consistent voting process.

We actively promote good corporate governance through an ongoing dialogue with companies on key issues that affect corporate performance and control. With this dialogue and the appropriate exercise of our Corporate Governance & Proxy Voting Policy, we intend to monitor management performance and corporate strategy and also vote against management proposals when we deem appropriate. The exercise of voting rights follows a quality-based approach for the most significant holdings, based on a stringent set of criteria, i.e. country of incorporation, market capitalisation, ESG-ratings and AuM invested. To consistently apply our policy, we utilise external service providers for custom-research. ISS analyses all agendas of our international holdings, whereas IVOX/Glass Lewis provides us with in-depth custom research for all German holdings. Both are analysing the agendas solely based on our proprietary policy and providing us with vote recommendations. The instructions of the votes is carried out by the analysts and portfolio managers or members of our Corporate Governance Centre and an approval is provided by representatives of the respective legal entity.

Due to this KPMG-approved, four-eyes-principle-based voting process we do not vote all our equity holdings. We publish our Corporate Governance & Proxy Voting Policy and all votes cast on our website for all legal entities in scope.

Requesting disclosure on ESG issues by the companies in which we invest has been a key part of our engagement over recent years. To this end, DWS UK is asking companies to improve their transparency on an ongoing basis.
**Principle 7**

Institutional investors should report periodically on their stewardship and voting activities.

In order to fulfill transparency requirements, DWS publicly discloses its stewardship and voting activities as part of the wider Deutsche Bank Group reporting, including the annual UN PRI report, and the Non-Financial report (NFR) that is audited. DWS has been guided by the UN Principles for Responsible Investment (PRI) since 2008, and submitted its fourth PRI report in 2016 which is available via our website.

For unit/shareholders in our funds and for the benefit of all our clients, we provide voting results for all positions we have voted, on our website, no later than two days after the date of the meeting. In addition, for all clients with segregated mandates we will provide tailor-made reporting upon request. Our overall stewardship and engagement activities are documented in the annual Governance Engagement & Proxy Voting Report and the NF report which is available on the same website; and our voting process has been independently assessed by KPMG.

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5. Accessible via: www.dws.de/das-unternehmen/corporate-governance/
6. In 2016, we voted on 569 meetings globally, including all of our German holdings. We voted against management in 23% of all cases.
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