Deutsche
Asset Management

Deutsche Asset Management UK

Statement of Compliance with the UK Stewardship Code

September 2016

Deutsche Asset Management 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 Proxy Voting Policy. 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 Deutsche Asset Management 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.

Deutsche Asset Management UK is the asset management business in the UK of Deutsche Bank AG. In line with the global business model of Deutsche Asset Management, Deutsche Asset Management 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.

Deutsche Asset Management UK discharges its stewardship responsibilities as a global institutional investor – regardless of the nature of the investment (i.e. equity holdings (active/passive), fixed income holdings or mandates) – 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 proprietary Corporate Governance Policy and Environmental, Social and Governance ("ESG") Policy.

The policies stated above are currently under review and will be publicly disclosed in 2017.

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

As part of Deutsche Bank Group, we adhere to the Global Conflicts of Interest Policy of Deutsche Bank Group.

Deutsche Bank 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. The Global Conflicts of Interest Policy, which is available via *Deutsche Bank's website*, explains the fundamentals of how Deutsche Bank identifies and manages conflicts of interest.

As a global financial services provider, Deutsche Bank faces actual and potential conflicts of interest from time to time. The Bank's policy is to take all reasonable steps to maintain and to operate effective organisational and administrative arrangements to identify, manage and disclose as appropriate relevant conflicts.

Senior management within the Bank are responsible for ensuring that the Bank's systems, controls and procedures are adequate to identify and manage conflicts of interest. The Compliance and Legal Departments of the Bank assist in the identification and monitoring of actual and potential conflicts of interest.

The Bank 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 Bank's business. These include controls on product design, employee remuneration and client onboarding.

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.

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 in our investment approach and based primarily on findings from 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.

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

By fostering an ongoing dialogue with company management teams we share our understanding of good governance and its importance for our investment building objectives. Where we have concerns, we engage with companies in various ways depending on the issues in question, the sector, and the company itself. Whenever we deem the outcome of our engagement to be unsatisfactory, it is within our discretion to apply further measures (e.g. letters to the company Board, public statements or shareholder resolution proposals submitted during annual general meetings). Finally, the execution of our voting rights represents the ultimate measure to apply pressure for change.

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 it is permitted by law and regulation. To that end, Deutsche Asset Management entities at a global level are active members of a number of industry bodies that facilitate 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.

Deutsche Asset Management UK sees good corporate governance as a source of better company performance and share price in the longer term. Our aim is that our Proxy Voting Guidelines/Corporate Governance 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 Proxy Voting Guideline Policy is reviewed annually and updated each year before the start of the AGM season.

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 Proxy Voting Policy, we intend to monitor management performance and corporate strategy. We publish our Proxy Voting Policy and all votes cast on our website for the 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, Deutsche Asset Management 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 fulfil transparency requirements, Deutsche Asset Management publicly discloses its stewardship and voting activities as part of the wider Deutsche Bank Group reporting, including the third UN PRI report in 2015, the Corporate Responsibility (CR) report and voting results.

Deutsche Asset Management has been guided by the UN Principles for Responsible Investment (PRI) since 2008, and submitted its third PRI report in 2015 which is available via our website.

From a client perspective we provide regular reports on our voting, stewardship and engagement activities for unit holders in our funds and for clients with segregated mandates. However, these reports are not publicly disclosed. Our overall stewardship and engagement activities are documented in the annual CR report which is available on the same website.
