To the CEOs and Boards of Directors
of our Portfolio Companies

19 February 2021

Corporate Governance & Proxy Voting Policy 2021

Dear Sir or Madam,

Under the unprecedented circumstances the Covid-19-pandemic caused and that we all experienced in 2020, we hope you had a healthy start into 2021. The pandemic has not only been a threat to the health and well-being of people around the world, but it also dramatically uncovered and demasked shortcomings in our globally connected economic environment. It has shown the vulnerable dependencies along global supply-chains as well as re-affirmed the need for improvements to achieve the targets of the Paris Agreement with sustainable and resilient business models.

At DWS Investment GmbH, we are fully committed to do our part and take our fiduciary duties as good stewards for the assets of our clients very seriously. We are convinced that governance remains the key element for unlocking the potentials and overseeing the risks arising from the environmental and social-dimensions of sustainability.

In March 2020, the Commission on Corporate Governance in Germany published its reviewed Code. By September 2020 the implementation of the Shareholders' Rights Directive II (SRD II) was completed and came into force. However, both legislative acts were overshadowed by the emergency-bills enacted by end of March 2020. The German government allowed listed companies, i.e. to (1) conduct their AGMs until the end of 2020 instead of the first eight months; (2) pay-out up to 50 per cent of the profits without confirmation by the shareholders; and (3) conduct their AGMs without the participation of shareholders. In October, the government decided to prolong this regime until end of 2021.

We understand that at the beginning of the pandemic, an adequate and legally reliable format needed to be established due to the extraordinary circumstances.

However, in our view, these measures are diminishing shareholder rights substantially and we are in constructive dialogues with representiatives from corporates and government for a more sustainable solution.

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Management Board: Manfred Bauer (Speaker), Dirk Goergen,
Stefan Kreuzkamp, Dr. Matthias Liermann, Petra Pflaum
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For these reasons, we conducted a very thorough review of our Corporate Governance & Proxy Voting Policy. Although the four core values of our understanding of corporate governance remain as in previous years:

- adequate board composition with sufficient levels of independence, diversity as well as a strong and sound environmental, social and grovernance (ESG) oversight.
- transparent, comprehensible and ambitious executive remuneration;
- adequate transparency on auditors; and
- appropriate treatment of shareholder and stakeholder rights, in compliance with internationally recognized E, S or G standards.

we will give considerable weight when assessing the risks and concerns arising from environmental and/or social areas when evaluating the boards' performance and executive remuneration.

As in previous years, we would therefore like to share our updated Corporate Governance & Proxy Voting Policy ('Policy') for 20201 with you.

Our key focus areas:

1. Management and Supervisory Boards:

In 2021, we will continue to closely monitor the performance of boards, their composition, independence and qualifications. Regular board refreshment and a pro-active, well established succession-planning paired with strong and holistic diversity continue for DWS to be safeguards for critically-thinking boards, avoiding entrenchment and group-think.

We expect our investee companies to incorporate gender diversity into their composition and refreshment processes, which is critical to effective corporate governance. We welcome any developments that aim to achieve a better gender balance; however, for us, qualification remains the decisive factor that needs to be assured for a sound board. We expect boards to enhance their pool of diverse candidates. That being said, we will hold incumbent board members accountable and will continue to vote against candidates if the board fails to nominate at least one female candidate.

We believe that material sustainability issues are a board's responsibility and thus, we will increase our scrutiny on the performance of boards and management in relation to ESG-controversies, i.e. norm-violations the companies are involved in and will hold them accountable accordingly if they fail to oversee and manage these issues adequately.

We expect boards to be transparent about which director is identified and qualified as an ESG-expert or – in case this responsibility is shared – which committee is overseeing ESG-matters.

We will continue to expect directors to have D&O-insurance with adequate self-contributions and expect companies to be transparent about this topic.

Audit Committees are an established element of sound corporate governance and an indicator for a well-functioning and professional board. We expect the majority of the members to be independent, incl. the chair, whom we expect to be identified as financial expert. Furthermore, we expect the board to identify as least one additional qualified financial expert.

2. Executive Remuneration:

Starting in 2021, companies listed in the European Union are required to present their remuneration system to shareholders,while in some jurisdictions, the say-on-pay is already a regular agenda item. Our expectation remains that shareholders can vote on executive remuneration at least every four years or in cases where material changes were made.

Naturally, we continue to expect the executive remuneration system to be geared towards the long-term success of the company, aligning interests of shareholders with those of management. These systems should also clearly demonstrate which extra-financial KPIs – derived from the company's strategy – are used and how they align with the material environmental and social impacts of the company.

For the variable components, we expect comprehensive and ambitious targets, including quantitative and qualitative KPIs that also refer to the extra-financial performance of the company.

With regards to the Long-Term Incentive (LTI), we encourage our investee companies to include components geared towards share performance, capital efficiency and return, e.g. relative total shareholder return (rTSR) against a meaningful index/benchmark or return on invested capital (ROIC).

For the remuneration report transparency and comprehensibility are key, we remain asking for more information on the performance assessment by the board. Meanwhile, our expectation for claw-backs is well established, for remuneration reports published in 2021, we are asking for information on the terms and conditions of this mechanism. In case the board has any discretion on bonus-components, we ask for information on the related performance-assessment processes hereto.

3. Shareholder and Stakeholder Rights:

As set out above, the treatment of the rights of the shareholders is elementary to us. Consequently, we will hold boards accountable in case these rights are diminished, obstructed or otherwise impeded. We also believe that the responsibilities of boards are shifting from a rather shareholder-focused to a more stakeholder-focused approach. Thus, we expect boards to ensure that their company acts with purpose and serves a broad range of stakeholders, from investors through to customers, employees, suppliers and the community.

DWS will continue to support proposals by shareholders that are (1) strengthening these rights, (2) creating meaningful transparency in topics such as diversity, pay, lobbying and political donations, climate change, biodiversity, water, deforestation, GHG emissions, human rights and labor practices, (3) calling for special-audits and (4) well reasoned.

We are generally supportive of ESG related shareholder proposals while considering established frameworks such as the Ceres Roadmap for Sustainability, the UN Sustainable Development Goals (SDGs), Task-force on Climate-related Financial Disclosure (TCFD) and the goals of the Paris Climate Agreement and will accordingly support those. We will particularly increase our scrutiny on environmental and social proposals addressing material business risk and will support such if we find them reasonable.

In case the company plans substantial transactions (M&A) with material influence on the risk-profile, we expect shareholders to be given a vote during an AGM or EGM. In case such vote is not provided, we will vote against directors involved in this decision.

4. Auditors:

DWS acknowledges that the objectivity and criticality of auditors can be impeded due to long tenure. We are therefore expecting companies to rotate their auditors after ten years. Ratifications of auditors will be objected in case the same audit-firm is proposed after this period without a meaningful explanation and transparency about the selection-process. Our expectation for full disclosure of name and term of the lead audit partner remains.

5. Capital Measures:

Asset managers are asked to closely monitor their portfolio companies and their financing strategies. Therefore we are restricting the maximum limit for equity issuances to three years for markets in which the limit is exceeding three years.

Our transparency:

As responsible investors, we strive to make our active ownership activities very transparent for our clients as well as our portfolio companies. We publicly report to the PRI on our responsible investment activities each year. Additionally, we also publish an engagement report on a yearly basis on our website to inform about DWS' stewardship activities. The expectations towards asset owners and asset managers are growing and we welcome the recent developments around enhanced disclosure requirements.

We are only able to achieve this and build on our existing reporting practices if we can rely on a comprehensive and enhanced disclosure from our portfolio companies. Thus, we will strengthen our engagement activities with you in this direction and are looking forward to a constructive and fruitful dialogue with our investee companies.

We are at your disposal for further discussions concerning governance topics particularly if you have any further questions related to our policy. Our Corporate Governance Center can be reached via dws.engagement@db.com.

Yours sincerely,

DWS Investment GmbH

Petra Pflaum
CIO for Responsible Investments

Nicolas Huber
Head of Corporate Governance

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