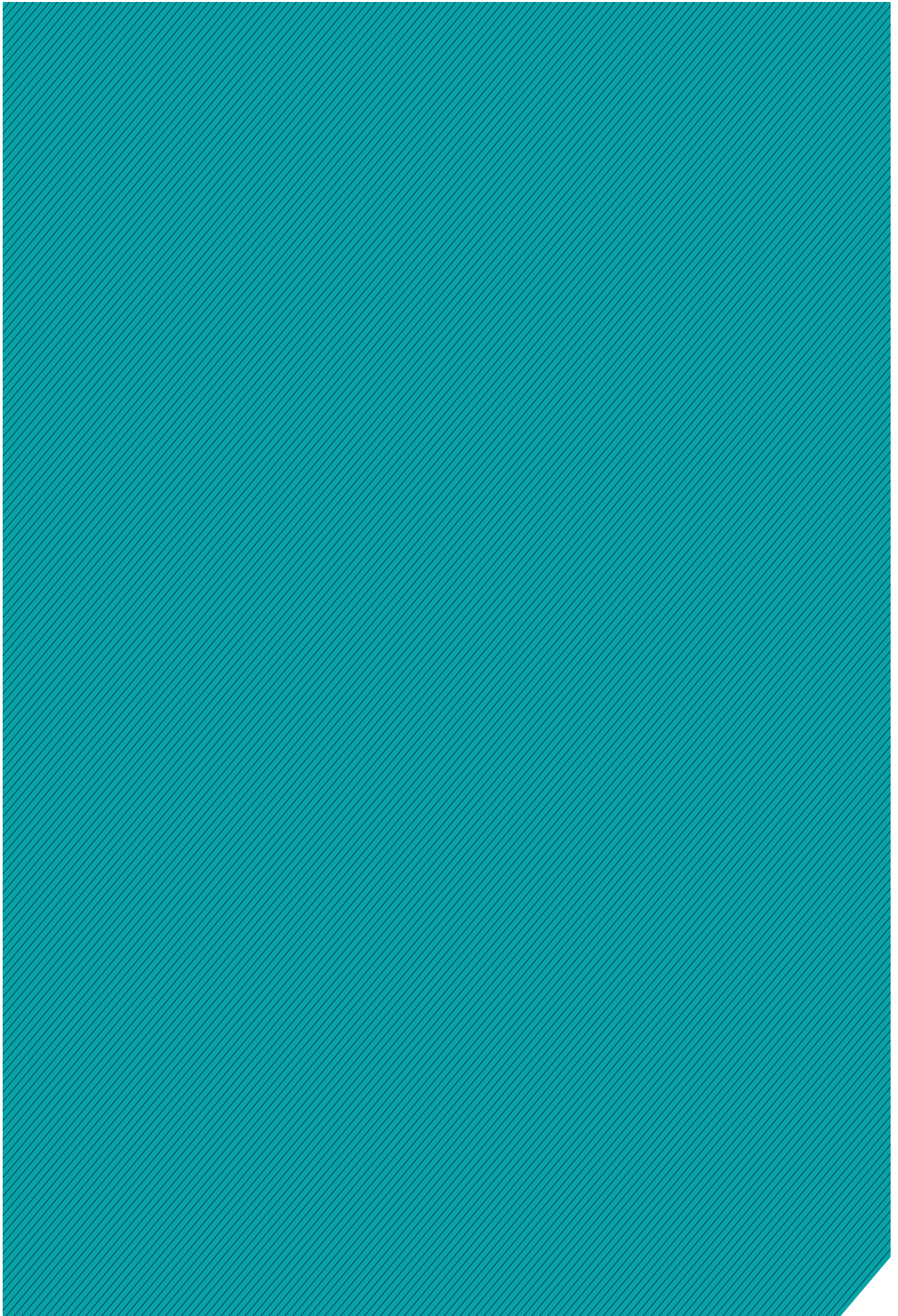


# CORPORATE GOVERNANCE AND PROXY VOTING POLICY

DWS Investment GmbH

**2020**





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# Our Corporate Governance Understanding

We at DWS take our fiduciary duty to our client investors very seriously and act in their sole interest.

We believe that good Corporate Governance is an important source of higher relative (shareholder) returns on equity and fixed income investments over the long-term. This builds on our expertise gained over more than 20 years as responsible investors 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.

As a thought leader in global governance matters, we also actively participate in relevant global working groups and regularly attend relevant conferences, representing the investor perspective and driving developments in this area forward.

We are part of the Coalition for Environmentally Responsible Economies Investor Network on Climate Risk and Sustainability (Ceres) and apply their guidance on environmental, social and governance issues ("ESG") when evaluating shareholder proposals. Furthermore, we vote in line with our conviction that responsible environmental and social practices ensure sustainable success of companies. We seek to assess the compliance of 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).



# 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 integral part of our investment process.

The integration of environmental, social and good corporate governance factors in a company strategy is a key factor to the ability of an organization to create value over time.

We strongly believe that integrating ESG criteria into our investment process contributes to a better understanding of the environment in which companies are operating. It enables us to identify risks and opportunities that traditional financial analysis might not reveal. Our aim is to identify and assess material ESG factors that may impact the value of our investments in order to achieve the best possible risk-adjusted investment returns for our clients.

For us, a sound Corporate Governance centers on a clearly defined and stress-resilient business model with the corresponding corporate structure 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 and engagement activities are guided among others by following international standards: UN supported Principles for Responsible Investment (PRI), to which DWS is a signatory since 2008, UN Global Compact, the OECD Guidelines for Multinational Corporations, Cluster Munitions Convention, the CERES Roadmap for Sustainability, The CERES Blueprint for Sustainable Investing, International Integrated Reporting Framework (IIRC), the 17 Sustainable Development Goals (SDGs) of the UN. 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.

Our Corporate Governance understanding is based on four core values:

- \_ adequate board composition,
  - \_ comprehensible and ambitious executive remuneration,
  - \_ transparency on auditors and
  - \_ appropriate treatment of shareholder proposals,
- which are reflected in the following governance expectations together with our overarching awareness for relevant ESG matters:

## Board Composition

### Structure and special responsibilities

We acknowledge locally 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. In monistic board structures this has to 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/Chairperson role, a qualified and strong Lead Independent Director (LID) has to ensure the proper work of the board and the communication with investors. 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.

### **Diversity**

Qualified, experienced and independent Directors are mandatory for competent and diverse Boards for an efficient decision making process and superior as well as, sustainable company performance. We have a holistic understanding of diversity that encompasses age, gender, qualification, internationalization, independence, sector experience and tenure. These factors should reflect the structure and nature of the company and should enable the Boards to work more efficiently and make better decisions. Boards should ensure a balance in representation and inclusiveness in order to allow broad perspectives to drive value in different scenarios. Gender diversity should provide for a more dynamic, well rounded Board of Directors, bringing unique perspectives, experience, talents and expertise. Going forward, we expect our investee companies to incorporate gender diversity into their composition and refreshment processes, which is critical to effective corporate governance. 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 gender balance; however, for us, qualification remains the decisive factor that needs to be assured for a sound board. Although we believe that the Board is best positioned to assure this factor by assessing the professional background and experiences of the individual members, we would like our investees to provide us with as much transparency as possible. We will continue further engaging with our investees and monitor their progress in achieving the appropriate level of diversity in their Boards.

As the Nominating and Governance Committees usually determine the succession planning process and the regular internal and external board evaluation, its Chairpersons and members may be held accountable in case the proposed

candidates do not qualify as board members. Furthermore, the board should disclose its mechanisms on how board competencies and candidates are identified (e.g. via a competency matrix and qualification profiles).

### **Independence**

Having a majority of independent members and independent Chairpersons of the key committees on the Boards is especially important for us to establish an appropriate board 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 need to be set-up to identify, resolve and disclose conflicts of interests and related party transactions, e.g. a standing committee fully comprised of independent members that conducts regular assessments and is supported by external auditors.

We expect 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 by companies who strive to accomplish that.

However, if the majority of the board is considered not independent, we will consider voting against the candidates who cause it. Finally, yet importantly, a sound balanced structure of board tenure should also enable reasonable board refreshment and succession planning. Employee representatives are excluded from the independence calculation.

### **Transparency and Effectiveness**

As transparency plays a major role in assessing the governance quality and the board effectiveness and efficiency, we expect 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 a long-term oriented investor who acts 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 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 group-think, establish a meaningful information architecture and secure the right allocation of qualifications and experiences in the committees.

### Executive Remuneration

We expect appropriate, comprehensible management compensation packages that include transparent and sustainable remuneration policies, reasonable key performance criteria and relevant peer group comparisons. We also seek ex-ante transparency on qualitative and quantitative key performance indicators (including ESG/extra-financial KPIs).

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 regard relevant and adequate bonus-malus mechanisms (including claw-backs) 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.

### 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.

### Shareholder Rights and Proposals

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) shareholder's interests and proposals needs to be ensured. We are supportive of shareholder proposals that request for stronger transparency and enhance shareholder rights. We expect the Board to respond to Shareholder Proposals in a timely manner and in adequate fashion. In case the Board fails to demonstrate appropriate willingness to respond to criticism expressed through Shareholder Proposals, we may hold the Board accountable.

## Environmental Risks and Compliance with Responsible Investment and Sustainability Standards

We expect Boards and Management to assess also 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 Change 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 the Board to develop a robust understanding of company-specific risks and how to mitigate them.

We may hold Boards and Management accountable in case they fail to respond adequately to such risks or fail to provide the necessary disclosure. Companies should follow broadly established standards for disclosure and transparency such as the Sustainability Accounting Standards Board's (SASB) sector-specific disclosure standards.

We expect companies to comply with and report on applicable internationally accepted and established standards and frameworks that enable investors to act responsibly. These frameworks include but are not limited to: the UN Global Compact Principles, the Carbon Disclosure Project (CDP), the Principles for Responsible Investment (PRI), the Sustainable Development Goals. In case companies fail to do so, we may hold Board and Management accountable.

## Transparency on Lobbying Expenditure and Political Contributions

We expect 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 seeks to influence legislative acts, and comparable financial contributions or contributions in kind. Furthermore, we expect a description of the decision making process and the oversight of the Board about payments. We expect that any disclosure on the aforementioned elements is publicly available and accessible. In case of insufficient transparency or a shareholder proposal calling for increased transparency we may hold the Board and Management accountable.





## Our Governance Engagement Approach

The sound alignment of the interests of the companies' Boards of Directors with those of shareholders through effective governance measures and sound structures should also preserve and enhance the company value and are crucial to build confidence among investors.

Furthermore, we believe that management should pursue regular active engagements with all relevant stakeholders to benefit from alternative perspectives. As a responsible investor, we are always willing to share our expectations on matters of corporate governance in an on-going and constructive dialogue with executive and non-executive Directors<sup>1</sup>.

There are various ways in which we engage with our investee companies depending on the company itself, the sector and the issue in question. However, in cases where we identify gaps between our expectations regarding corporate governance and the company's attitude towards it, we will start a direct engagement process with company representatives and the management board.

We regard active engagement as an essential part of our commitment to supporting good corporate governance. Our engagement approach follows a detailed step-by-step escalation that commences with our annual letter to our investee companies, which are part of our Proxy Voting Focus List<sup>2</sup>. In the letter, we inform them about our governance expectations and updated Corporate Governance and Proxy Voting Policy. This is then, in some cases, followed by pro-active engagements by companies who approach us. During the regular management meetings, we also raise governance issues. The next step is the call for extraordinary meetings with executive management and the supervisory board Chairperson. Subsequently, we send letters to members of both Boards. Our direct participation in annual general meetings (AGMs) combined with a speech addressing shareholders and Boards publicly is already a very extensive effort. When appropriate we may also decide to file shareholder proposals. As a last measure, we will vote accordingly and vote against management proposals, in line with our Proxy Voting Guidelines outlined later in this document.

<sup>1</sup> Companies visiting DWS, DWS visiting the companies on site, one-to-ones at conferences, etc.

<sup>2</sup> Focus List: The Proxy Voting Focus List represents a list of the most relevant equity holdings held by our funds domiciled in Europe and Japan, screened regularly in terms of percentage of market capitalization, assets under management and several Environmental, Social and Governance ("ESG") criteria.

# IV.

## Proxy Voting Framework

As a responsible investor and fiduciary, we are also obliged to exercise our clients' equity<sup>3</sup> voting rights in their best interest. This is achieved by our dedicated uniform and transparent proxy voting process that is approved by KPMG and centers on our detailed expectations and Proxy Voting Guidelines that are laid out in the following section (V.).

The primary responsibility for the conduct of company dialogues and the exercise of our Corporate Governance and Proxy Voting Policy lies with the staff of DWS Investment GmbH's Chief Investment Office in Frankfurt, Germany. All relevant items on the agenda of shareholder meetings of companies, which are part of our Proxy Voting Focus 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 to our investees, which are part of our Proxy Voting Focus List, globally.

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.

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 and Proxy Voting Policy, our Proxy Voting Group is the ultimate decision-making body. This group is composed of senior managers from all relevant areas 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 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 (<https://dws.com/solutions/esg/corporate-governance/>) and unless specified otherwise, we shall apply the Proxy Voting Guidelines laid out in this document.

### DWS as Proxy Advisor

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

### 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 is responsible for the German general meetings, while ISS covers international general meetings and also provides us with a sophisticated online platform to support our proxy voting process. Each legal entity of DWS is responsible for the exercise of the voting rights as a capital management company. The meetings follow a four-eye principle approach, whereby investment professionals and/or members of the Corporate Governance Center provide voting proposals, and the corresponding legal entity of DWS provides the final approval, i.e., has the final say.

<sup>3</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.



# Proxy Voting Guidelines

## 1. Board-Related Agenda Items

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 (respectively the supervisory board) should include a sufficient number of independent non-executive Directors, thereby being 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 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". (<http://www.icgn.org/best-practice.php>).

## 1.1. Appointment or 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.
- 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, except where it is market practice to vote on a block basis.
- 1.1.5. The discharge is called into question, if:
  - \_ 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.
- 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 board 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 (Chief Executive Officer) and Chairperson of the board. This policy also applies in cases where the Chairperson / CEO is included in an election by slate. For companies who still have a combined Chairperson/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 assurance that the Chairperson / CEO will only serve in the combined role on an interim basis (i.e. max. 2 years), with the intent of separating the roles within a reasonable time frame.
  - \_ A favorable vote recommendation for a combined Chairperson / 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 Chairperson will not receive a level of compensation substantially higher than the company's executives nor 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 national best-practice – of at least two years. A former CEO or executive board member is nominated for the position of Chairperson of the supervisory board. In markets such as Germany, where the general meeting only elects the supervisory board members, who in turn elect the Chairperson of the new supervisory board, DWS will generally vote AGAINST the election, unless the company has publicly confirmed prior to the general meeting that she / he will not become Chairperson 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 Chairperson 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 national best-practice – of at least two years, or a shareholder proposal has been submitted at the annual general meeting in favour of the appointment with a qualified majority.
- 1.1.9. 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 Chairperson of the board and the non-executive members.
- 1.1.10. If the candidate (executive and non-executive) causes the board to become insufficiently independent (>50%), diverse (i.e. with respect to gender representation) or balanced with regard to the main activities of the company.
- 1.1.11. If the independent Directors do not constitute the majority in the key committees (remuneration, audit and/or risk, nomination, presiding), the vote recommendation is an AGAINST on non-independent Directors serving on these committees.

## Executive Directors

AGAINST, if one of the following applies:

- 1.1.12. Serious and permanent conflicts of interest exist.
- 1.1.13. The election of a candidate causes this candidate to hold more than three board seats in total (incl. the nominated position). An executive position of CEO and also any positions of Chair of the Board as well as Chairperson 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.**
- 1.1.14. The CEO of a company assumes also a role as Chairperson of the Board at another company.

## Non-Executive Directors

AGAINST, if one of the following applies:

- 1.1.15. The candidate has potential conflicts of interest that have not been sufficiently disclosed by the company.
- 1.1.16. The election of a candidate causes the board to become insufficiently independent, diverse or balanced with regard to the main activities of the company and taking into consideration the respective country's best practice rules on corporate governance or the candidate does not fulfill our independence criteria and is intended to become Chairman of the Audit Committee.
- 1.1.17. We will vote AGAINST the re-election 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.

1.1.18. The election of a candidate results in a direct (up to two 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 Chairperson of the Board, if this change is in line with the national best practice for corporate governance.

1.1.19. 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.

1.1.20. 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.

1.1.21. 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.

1.1.22. 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 Chairperson and of an audit committee Chairperson is counted double. A CASE-BY-CASE evaluation applies, if a non-executive board member also holds supervisory board appointments of a quoted subsidiary.

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

1.1.24. The candidate has attended fewer than 75 % of the board and audit / risk committee meetings in a given year 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 action against a Director e.g.,  
\_ appeal against financial statements,  
\_ insider trading,  
\_ bribery,  
\_ fraud,  
\_ and other illegal actions.

1.2.2. Criminal conviction or civil action against a Director.

1.2.3. Doubts on the accuracy of the 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. We vote on a CASE-BY-CASE basis where the company is facing severe ESG controversies and violates internationally established norms and may therefore consider holding the board members accountable. We will particularly analyse 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 evaluating the ESG profile of a company, we also take a closer look at the different available ESG

disclosures and seek ways to actively engage with companies 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.

- 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.

### Executive Directors

#### AGAINST, in the case of:

- 1.2.8. Serious deficiencies in the management of the company:
- \_ Deficient risk control and internal auditing procedures.
  - \_ Due-diligence violations or willful misconduct.
- 1.2.9. 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.
- 1.2.10. 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:

- 1.2.11. Clear deficiencies in the monitoring of the company through neglect of the obligatory supervisory duties of management.

- 1.2.12. Concerns that the board has not acted in the best interest of shareholders.

- 1.2.13. Following DWS' standards, board independence is less than 50 % and at the same time the Chair of the Audit Committee is not considered independent.

- 1.2.14. Attendance at board meetings is not disclosed on an individual basis in the annual report or on the company's website.

- 1.2.15. No information is made available in the annual report or on the company's website who is the board member responsible for ESG matters.

- 1.2.16. Executive as well as non-executive remuneration is not disclosed on an individual basis, i.e. by name.

- 1.2.17. No reasonable age limits are set and disclosed in the annual report or the 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 Board refreshment measures are in place and the overall diversity is secured.

- 1.2.18. The curriculum vitae of each executive and non-executive Director is not permanently published on the 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).

- 1.2.19. The Articles of Association are not available on the company's website.

- 1.2.20. Additional board mandates acquired during the term that then result in a total number of mandates exceeding five.

- 1.2.21. 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.
- 1.2.22. Lack of D&O-insurance for non-executive Directors with an appropriate self-contribution.
- 1.2.23. 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 brought up for voting at the AGM.
- 1.2.24. 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.
- 1.3.4. The structure of the compensation scheme does not comply with internationally recognized best practice.
- 1.3.5. 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.
- 1.3.6. The proposals bundle compensation for both non-executive and executive Directors into a single resolution.
- 1.3.7. Variable compensation is substantially linked to dividend payments.
- 1.3.8. 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).
- 1.3.9. 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 etc.

### 1.3. Board Remuneration

Generally AGAINST, if:

- 1.3.1. The remuneration system is not geared to the sustainable long-term success of the 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.
- 1.3.2. The system of performance measurement and remuneration is not transparent, comprehensible and does not demonstrate how strategic objectives are factored in.
- 1.3.3. The remuneration system is changed without an appropriate and notable improvement of its success-related components.
- 1.3.10. Remuneration paid to management is not in line with performance, disproportionate, or incommensurate in relation to that of comparable businesses.
- 1.3.11. No convincing bonus malus system is in place that entitles the 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.

#### Executive Directors

Generally AGAINST if:



- 1.3.12. No system is in place that entitles the company to recover any sums already paid (e.g. claw-back-system). Deviations are possible wherever the company provides a reasonable explanation why a claw-back was not implemented.
- 1.3.13. 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).
- 1.3.14. The key performance indicators that influence and are used to calculate short term and long term variable compensation are not disclosed.
- 1.3.15. Key performance indicators or parameters that influence variable compensation are retrospectively adjusted (backdating).
- 1.3.16. The remuneration system allows the use of adjusted operating performance measures.
- 1.3.17. Allotments and exercise terms of stock option plans or similar incentives are not disclosed.
- 1.3.18. The performance criteria for reaching the exercise target of stock options plans are strongly tied to the development of the share price.
- 1.3.19. The first exercise date for option programs is earlier than three years.
- 1.3.20. Stock option plans result in an equity dilution of more than 10 % of the actually issued share capital.
- 1.3.21. Executive Directors do not hold a direct equity stake in the company (on a CASE-BY-CASE basis).

## Non-Executive Directors

### Generally AGAINST if:

- 1.3.22. Remuneration is inadequate or disproportionate in relation to that of a relevant peer group.
- 1.3.23. Remuneration is not comprehensively disclosed with its constituent components.
- 1.3.24. The variable compensation component or compensation for committee membership accounts for substantially more than 50 % of total remuneration.
- 1.3.25. Members of the audit and the risk committees receive any additional performance related compensation, which is not already covered by her/his existing remuneration plan.
- 1.3.26. The remuneration committee has substantial competences for setting or altering the compensation schemes without approval of the general meeting.

## 2. Audit-related Agenda Items

### 2.1. Ratification of Audit Reports

AGAINST, if one of the following applies:

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

### 2.2. Appointment and Remuneration of the Auditor

AGAINST, if one of the following applies:

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

- 2.2.5. The disclosure of various advisory services, which have also been performed by the auditor, is insufficient for judging the auditor's independence.
- 2.2.6. External auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.
- 2.2.7. The services performed by the auditing firm or the lead auditor have recently been questioned to a serious extent in comparable mandates.
- 2.2.8. The auditing fees have not been published separately; in particular the advisory fees and other non-audit fees.
- 2.2.9. The fees for non-audit services exceed reasonable standards for annual audit-related fees and the 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 companies listed on any main country index and / or the MSCI EAFE (Europe Australasia and Far East) index.
- 2.2.10. The same person signing the audit report as the responsible lead audit partner has been appointed for more than five years.
- 2.2.11. Consequently, when the company does not publish the name of its lead audit partner and the duration for which she / he has been previously appointed.
- 2.2.12. The auditors are unexpectedly being changed without detailed explanation.

### 3. Share Capital and Business-Related Agenda 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. Thus, we will generally support either a proposal for equity issuances OR share repurchases but not both unless both proposals are adequately reasoned.

#### 3.1. The Use of Net Profits

AGAINST, if one of the following applies:

- 3.1.1. The dividend payout ratio has been below 20% for two consecutive years despite a limited availability of profitable growth opportunities, and management has not given/provided adequate reasons for this decision.
- 3.1.2. The payout ratio exceeds 100 % of the distributable profits without appropriate reason (the company pays a dividend which affects its book value)

#### 3.2. Equity Issuances

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:

- 3.2.1. The company issues stock with multiple voting rights or other control enhancing rights.
- 3.2.2. The company issues preferred shares without voting rights and

a) The need for additional share capital to carry out the 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.

- 3.2.3. Requests for the issuance of preferred shares are assessed on a CASE-BY-CASE basis, in light of a company's history of capital increases as well as its corporate governance profile.

- 3.2.4. 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 20 % of the company's nominal 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

- 3.2.5. The combined 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. Exceeding either of the two thresholds will be judged on a CASE-BY-CASE basis<sup>4</sup>, provided that the subscription rights are actively tradable in the market.

<sup>4</sup> In case the company finds itself in financial distress and adequately reasons an equity issuance program of this size.

- 3.2.6. The equity issuance has the purpose of defending against takeover threats (e.g., poison pills).

### **3.3. Share repurchases**

AGAINST, if one of the following applies:

- 3.3.1. The share repurchase does not ensure equal treatment of all shareholders.
- 3.3.2. The company is in financial distress and the repurchase program is not adequately reasoned.
- 3.3.3. The share repurchase has the purpose of defending against a takeover threat.
- 3.3.4. On a CASE-BY-CASE basis, if the maximum offer premium exceeds of 10 %.
- 3.3.5. On a CASE-BY-CASE basis, if the share repurchase program exceeds 10 % of the daily trading volume.

## **4. Statutes and Legal Structure-Related Agenda Items**

### **4.1. Amendments of the Articles**

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

- 4.1.1. The amendment negatively impacts the rights and interests of shareholders.
- 4.1.2. The 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.
- 4.1.3. The amendment is not in line with the long-term sustainable development of the company, or endangers the continuity of the business.
- 4.1.4. Multiple voting rights are established.
- 4.1.5. Package / block voting (i.e., bundled resolutions) is introduced.
- 4.1.6. 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.

## 5. Market for Control

### 5.1. Anti-takeover Mechanisms

AGAINST, if one of the following applies:

- 5.1.1. The anti-takeover proposal does not require shareholder approval.
- 5.1.2. The proposal strengthens the takeover defenses of the company. An exception can be considered, if the 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.
- 5.1.3. Gives the government or other bodies a direct or an implicit "golden share" in the company.

### 5.2. Mergers & Acquisitions

AGAINST, if one of the following applies:

- 5.2.1. The company is an acquisition target and an appropriate take-over premium is not offered.
- 5.2.2. The annual general meeting has not been provided with sufficient information on the transaction.
- 5.2.3. 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.
- 5.2.4. The company 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.

- 5.2.5. Conflicts of interest exist: Incumbents with access to non-public information disproportionately or 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.

- 5.2.6. The prevailing legislation and rules at the place of business or corporate governance of the newly combined entity significantly diminish the rights of shareholders.
- 5.2.7. On a CASE-BY-CASE basis, if a company engages in an acquisition and its management does not have a favorable track record of successfully integrating acquisitions.

## 6. Related-Party Transactions

### 6.1. 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:

- 6.1.1. The parties on both sides of the transaction.
- 6.1.2. The stated rationale for the transaction, including discussions of timing.
- 6.1.3. The size and the nature of the asset to be transferred or services to be provided.
- 6.1.4. The pricing of the transaction (and any associated professional valuation).

- 6.1.5. The views of independent Directors.

- 6.1.6. The views of an independent financial adviser.

- 6.1.7. Whether any entities party to the transaction, (including advisers) are conflicted.

### 6.2. Transactions Not Being Put for Shareholder Vote

- 6.2.1. 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 increased transparency in the RPTs disclosure as well as the disclosure of the board's dealing with potential conflicts of interests RPTs disclosure as well as the disclosure of the board's dealing with potential conflicts of interests.

## 7. Shareholder Proposals

### 7.1. General Support for Enhancing Shareholder Rights, Reporting and Transparency

DWS is generally supportive of shareholder proposals that enhance shareholder rights, foster reporting and increase transparency and votes:

- 7.1.1. FOR proposals to separate the Chairperson and CEO positions.
- 7.1.2. AGAINST proposals to stagger the board in companies where an annual re-election is already in place.
- 7.1.3. FOR proposals to revoke staggered Boards and elect all Directors annually.
- 7.1.4. FOR proposals asking for at least a majority of the board to be independent.
- 7.1.5. FOR proposals requiring that the Chairperson position to be independent.
- 7.1.6. FOR proposals that require the establishment of Audit Committees.
- 7.1.7. FOR proposals to restrict a supervisory board member from serving on more than five supervisory Boards (where Chairperson and Chairperson of the Audit Committee counts double).

**Note:** 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

- 7.1.8. FOR proposals that require the establishment of a Remuneration Committee.
- 7.1.9. 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.

- 7.1.10. AGAINST proposals to require a supermajority vote to amend the bylaws.
- 7.1.11. FOR proposals to amend or cancel existing supermajority requirements.
- 7.1.12. FOR proposals asking for the right to act on written consent in cases where 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 per cent.
- 7.1.13. FOR proposals that ask for increased transparency on lobbying expenditures, political donations and comparable payments.

### 7.2. ESG-related Shareholder 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 Sustainable Development Goals (SDGs) and the UN Global Compact and evaluates them on a CASE-BY-CASE basis if deemed necessary.

We evaluate them on a CASE-BY-CASE basis and vote AGAINST, if one of the following applies:

- 7.2.1. The proposal undermines the company's corporate governance or business profile.
- 7.2.2. The proposal limits the company's business activities or capabilities.
- 7.2.3. The proposal generates significant costs with little or no benefit.

## 8. Country-specific Application

### 8.1 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 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 companies, which define the role of the board to have a supervisory function instead of an executive function, to have at least two outside Directors and strongly encourage them to ensure that at least 1/3 of the members in their Boards are considered independent.

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 Chairperson 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.

We also expect and foster our investees in Japan to establish the relevant formal committees-nomination, remuneration and audit.

#### Capital Management and Cross-Shareholdings

We expect 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.



## 9. Afterword

Our dedicated Corporate Governance Center based at DWS Investment GmbH's Chief Investment Office continuously evaluates our understanding of good governance and communicates this to our portfolio 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 Chairperson and investors without violating the equal treatment of shareholders.

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