



Exercise of voting rights is part of DEKA's engagement activities

The principles below represent the Voting Policy for general meetings for the investment funds managed by Deka Investment GmbH, Deka Vermögensmanagement GmbH and Deka International S.A. In the interests of readability, the short form "Deka" is used in this document instead of the individual company names.

Engagement stands for the active and committed exercise of shareholder rights. Deka conducts an active, constructive and targeted dialogue with companies and exercises voting rights at the Annual General Meetings. More detailed information on this can be found in Deka's engagement policy¹, stewardship guidelines² and fossil fuel policy.

Representing the interests of its fund investors vis-à-vis corporations is very important to Deka. Voting rights are one of the most valuable shareholder rights and must be dealt with responsibly. Deka acts solely in the interest of the investment fund concerned. The exercise of voting rights is an essential part of our efforts to achieve a sustainable and long-term increase in the value of our clients' assets.

Deka uses clearly defined criteria summarised in this "Voting Policy" **to exercise shareholder voting rights directly or via proxies in a fiduciary capacity for its fund investors.** If proxies are used, Deka authorises them to vote in accordance with specific instructions for individual agenda items.

The policy is based on the extensive experience that Deka has gained as a major fund provider and, therefore, as a shareholder representative. It **takes into account applicable laws:** the current analysis guidelines for general meetings issued by the German Investment Funds Association (Bundesverband Investment und Asset

Management – BVI), the German Corporate Governance Code, the DVFA Scorecard for Corporate Governance, the principles for Responsible Investment (PRI), the Guidelines for Sustainable Management Board Remuneration Systems, relevant provisions of ARUG II, international codes and applicable environmental and social standards. Deka also appropriately takes into account the principles for voting rights exercise recommended by the International Corporate Governance Network (ICGN) and the European Fund and Asset Management Association (EFAMA).

Social and environmental responsibility

Social and environmental developments are becoming an increasingly important part of the corporate environment. Deka is convinced that incorporating social and environmental standards in a sustainable business policy is not only in the interest of society, but also in the interest of shareholders, as it can lead to long-term, above-average performance of the company and an improved risk assessment.

Environmental, social and governance (ESG) indicators are steadily gaining importance in the dialogue with companies.

When determining the main topics for the corporate dialog, Deka is guided by international principles and goals. These include the principles of the UN Global Compact and the associated obligation to implement ten principles of responsible corporate management. These relate to the areas of human and labour rights, environmental protection and anti-corruption and thus to those aspects that are also defined as relevant in the CSR- RUG. Secondly, they relate to the ILO core labour standards, which are social standards within the framework of the world trade order that are intended to guarantee humane working conditions and adequate protection. But

¹ https://www.deka.de/site/privatkunden_site/get/params_E1789535353/13677289/ESG%20Policy%20der%20Deka.pdf

² https://www.deka.de/site/privatkunden_site/get/params_E-1319658132/13518508/Stewardship%20der%20Deka.pdf



also the sustainable development goals of the United Nations (SDGs), the climate goals of the European Union and the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) are relevant topics.

As part of the Principles for Responsible Investment (PRI), Deka therefore also exercises its voting rights in accordance with sustainability criteria.

Managing the adverse impacts on sustainability in the exercise of voting rights at DekaBank

As part of its systematic control, Deka monitors companies' and countries' Principle Adverse Impacts (PAI) on sustainability, measuring these using, inter alia, the mandatory PAI indicators of the EU Disclosure Regulation. In this context, Deka defines threshold values when managing PAI indicators with regard to human rights controversies, greenhouse gas emissions and the management of biodiversity and water. Particularly negative impacts on sustainability are taken into account through fundamental exclusions, such as the exclusion of "controversial weapons" or speculation on staple foods.

Deka includes these and other factors as a basis for assessment when voting and reserves the right to vote against the formal discharge of the administrators and management and against the re-election of members of the board of management and the supervisory board in the event of breaches of defined standards.

Consideration of the Deka climate strategy in stewardship activities

Deka joined the Net Zero Asset Manager Initiative in October 2021 and thus committed to reducing greenhouse gas emissions from assets under management to net zero by 2050. In this context, it is particularly important to Deka that **companies continuously reduce their CO2 emissions.**

During engagement discussions, Deka works towards ensuring that companies define a climate strategy that is consistent with the 1.5 degrees scenario of the International Energy Agency, and that they set interim targets accordingly.

In its discussions with companies, Deka is also focused on ensuring that the companies align their climate goals with the Paris Climate Agreement and, where possible, define them on a scientific basis. In the sectors for which the Science Based Targets Initiative (SBTI) has formulated standards, Deka is committed to ensuring that companies have their strategy confirmed by SBTI, as this has been shown to lead to progress with the transition.

In addition to formulating a climate strategy, Deka requires that companies invest in the transition with immediate effect and that they noticeably reduce their greenhouse gas emissions.

Deka includes in the voting universe all focus companies identified by the Climate Action 100+ initiative that have the world's highest GHG emissions, provided that Deka has made significant investments in these companies.

Deka reserves the right to vote against the formal discharge of the supervisory board and the board of management if companies fail to present a plausible climate strategy, invest sufficiently in the transition, or noticeably reduce their greenhouse gas emissions.

Deka also supports shareholder proposals calling for companies to align their climate strategy with the Paris climate goals. This does not apply to companies that already have a science-based climate strategy.

Deka does not consider the exclusive purchase of emission certificates, with which the company's own emissions are offset in climate protection projects, to be appropriate. Preference should be given to investments that directly reduce greenhouse gas emissions.



Voting on climate strategy (Say-on-Climate)

Deka expects management to regularly submit a report on climate strategy and its implementation (also known as "Say-on-Climate") for a consultative vote, particularly for sectors with high emissions. Deka will vote for a Say-on-Climate when the following conditions are met:

- the company has disclosed all relevant greenhouse gas emissions,
- the company has defined a climate strategy that is consistent with the 1.5 degrees scenario of the International Energy Agency, and has also set corresponding interim targets in the medium and short term (less than five years),
- the company has had its climate strategy confirmed by the Science Based Targets Initiative (SBTI) (where SBTI has defined targets for the relevant sector),
- the company should already have a GHG intensity that is equal to or lower than the average of its sector.

Supply chain duty of care

In addition, Deka requires companies to ensure that the procured input goods or finished products comply with international labour and human rights standards at all stages of their **supply chain** and to trace any production processes that are environmentally harmful or violate working conditions. Deka expects companies to systematically manage risks in their own production and supply chains. This includes:

- comprehensive coverage of the supply chain through monitoring and inspection measures, in particular in the event of knowledge of violations, including with indirect suppliers,
- transparency in reporting about inspections and findings,
- if there is a high number of accidents at work compared to the sector average or a high turnover in personnel compared to the sector average, Deka expects the

causes to be systematically investigated and plans of action developed.

If companies fail to meet their social and ecological responsibilities, **Deka will not discharge members of the board of management and/or supervisory board**, depending on their responsibilities. This may also lead to the **rejection of supervisory board members in supervisory board elections**.

Further details on the consideration of sustainability aspects in voting behaviour can be found under 4.1.2. on the discharge of the board of management and 4.6.4. on the structure of variable compensation.

Diversity

Deka expects companies to manage diversity effectively. For Deka, important considerations in terms of diversity are qualifications, gender, age and internationality.

In its discussions with companies, Deka addresses deficits in relation to diversity and management of these deficits. In addition, Deka sets minimum standards for gender diversity in the supervisory board and the board of management in its voting guidelines.

Biodiversity

Deka expects companies to systematically record and manage risks and opportunities in relation to biodiversity. Important considerations that Deka addresses in this context include, above all, the prevention of deforestation and pollution.

In the event of serious deficits, Deka can refuse to formally discharge the management of the board of management and the supervisory board and refuse to allow re-election.

Deka includes in proxy voting and engagement discussions all portfolio companies that are marked by serious UN Global Compact controversies with regard to biodiversity and the environment, provided that Deka has made significant investments in these companies.



Deka also systematically includes companies in the Nature Action 100 Initiative in which Deka has made significant investments.

Deka can hold a proxy vote against the formal discharge of the supervisory board and the board of management if companies show deficits in terms of environmental pollution and the management of biodiversity and natural resources, in particular water.

Where deficits regarding compliance with the UN Global Compact principles are not remedied, Deka will continue to speak with the companies concerned on an annual basis and work towards improvements. Until standards are improved, Deka can continue to vote against the re-election and formal discharge of the management.

ESG-oriented shareholder proposals are reviewed by Deka and, if they comply with Deka's principles, a positive decision is made. This applies in particular to issues relating to climate protection, human rights and labour standards and the fight against corruption.

Exercise of voting rights at Deka

The principles set down by Deka create a framework for exercising voting rights that allows individual, transparent, verifiable decisions to be reached on a case-by-case basis. The policy is reviewed periodically and modified in accordance with current developments.

As a rule, **Deka carefully analyses the agenda items** before making voting decisions for upcoming general meetings. If **countermotions** have been submitted, they are also **subjected to critical and constructive examination**. When appropriate, Deka submits supplementary motions or countermotions itself.

As part of the engagement process, **Deka seeks to hold a dialogue with the companies concerned in the event of particularly critical agenda items before annual general meetings** in order

to discuss voting behaviour. Deka will also discuss the knowledge gained at an Annual General Meeting with the company concerned in the event of a subsequent commitment.

Deviation from the policy is possible for companies domiciled abroad, if required by local laws or if local best practice standards appear reasonable. The voting guidelines apply both to the two-tier board and to the one-tier board.

The following principles determine Deka's voting behaviour with respect to important topics regularly dealt with in general meetings:

1. Voting rights
2. Annual report and annual financial statements
3. Appropriation of profits
4. Board of management, supervisory board
5. Auditor
6. Corporate actions and share buybacks
7. Mergers and acquisitions
8. Social and environmental responsibility
9. Other

1. Voting rights

As a rule, Deka advocates uniform voting rights according to the principle of "one share, one vote". **Deka strictly opposes any measures that restrict shareholder rights** (e.g. multiple voting rights).

Deka will vote in favour of an **issue of preferred shares** in justifiable special cases that do **not lead to a restriction of shareholder rights**.



2. Annual report and annual financial statements

Company reporting should provide the greatest possible transparency with respect to the company's business situation, corporate governance and matters related to sustainability.

Shareholders should also be informed without delay of any new circumstances that have been disclosed to financial analysts and similar parties.

If **material accounting requirements are not being observed** or insufficient disclosure has been made, **Deka will not vote in favour of the agenda items concerned.**

3. Appropriation of profits

Companies should aim for a sustainable dividend policy.

Dividends should generally be reasonable and appropriate to the financial results of the company. The free cash flow should also be used as the basis for measurement. As a rule, **dividend payments should not reduce the net assets of a company.**

The **dividend differential between preferred and common shares** should be a percentage premium of at least **ten percent** rather than an absolute amount.

Deka has a critical view of motions for **special dividends for long-term shareholders.**

4. Board of management, supervisory board

The board of management and supervisory board should work together closely for the benefit of the company to ensure good corporate governance based on responsible management and supervision that is aimed at creating value. Openness and transparency in corporate communications, taking

shareholder interests into account and ensuring clear assignment of responsibilities are important factors in this. Deka expects supervisory board and board of management members to be competent and as free of conflicts of interest as possible.

Deka takes these principles into account in its assessment of board of management and supervisory board performance **when making voting decisions.**

4.1. Formal discharge

4.1.1. Individual discharge/total discharge
Deka prefers the individual discharge of members of the board of management and supervisory board. If this is not possible, **Deka will vote against the discharge of all board of management or supervisory board members** if one of the members fails to satisfy one of the criteria for discharge.

4.1.2. Discharge of the board of management
Significant doubts about the performance of the board of management due to sustained underperformance in terms of profits relative to other companies in the industry, or significantly poorer share price performance compared to the industry or overall market is a factor that could argue **against formal discharge of the board of management.**

Deka reserves the right to vote **against formal discharge of the board of management** in specific cases if there are violations of **environmental, social and governance (ESG)** issues.

Deka expects the board of management to develop a **climate strategy**, to commit to net zero greenhouse gas emissions by 2050 at the latest, to define interim targets on the path to achieving that goal, to report transparently on the progress made towards achieving the targets and to achieve them. In critical sectors such as power generation in particular, companies should define science-based



climate goals and submit them to the Science Based Target Initiative for confirmation.

If the management is unable to present a climate strategy or repeatedly fails to meet the targets, Deka reserves the right to vote against the formal discharge of the board of management.

Deka also reserves the right to vote against the formal discharge of the Board of Management if the company does not ensure sufficient transparency in relation to the management of sustainability-related risks, through

- not reporting on sustainability-related risks and/or
- not providing environment-related data on the Carbon Disclosure Project or on the Task Force on Climate-Related Financial Disclosure.

Deka also expects the board of management to take appropriate measures to protect labour and **human rights**, particularly in the supply chain and in the extraction or acquisition of raw materials. If there are serious deficits or systematic violations with regard to the protection of labour and human rights, Deka may vote against the formal discharge of the board of management.

4.1.3. Discharge of the supervisory board

Deka also reserves the right to vote **against the formal discharge of the supervisory board** in specific cases, particularly in the event of deficiencies in **transparency requirements** or **violations of environmental, social and corporate governance** (ESG) issues as outlined in 4.1.2.

4.1.3.1. Governance requirements

The following are considered particularly critical factors in the formal discharge of the supervisory board:

- **less than half of the shareholder representatives** on the Supervisory Board and the essential committees **are independent**, (for large shareholders

(more than 50% holding of the share capital), less than one third of the shareholder representatives),

- **no limit on the length** of office in the supervisory board or a membership threshold set by the company is exceeded,
- **no rules on an age limit** for board of management and supervisory board members or an age limit set by the company is exceeded,
- there is **no audit committee with at least two financial experts** with expertise in the areas of accounting and auditing,
- there is no remuneration and nomination committee (where the supervisory board has more than five members),
- no member of the Supervisory Board has sustainability expertise,
- the **chairman** of the supervisory board **chairs the audit committee**,
- the **chairman of the audit committee is not independent**,
- the **chairman of the audit committee is not independent** of the **controlling shareholder**,
- **diversity on the supervisory board**, for example in terms of qualifications, nationality, age and gender, is not sufficient,
- there is **no minimum gender participation of at least 30 percent**. Exceptions are supervisory boards with four members or fewer, where one member of each gender is sufficient,
- if the supervisory board **does not actively monitor or sufficiently sanction the climate strategy** and the strategy of the management board in managing risks regarding labour and human rights standards,
- the remuneration system for the Board of Directors does not consider central sustainability risks and opportunities for the company.



If one of these critical factors is not met, **Deka** will not discharge the **chairman of the supervisory board** in the case of individual discharge of supervisory board members or the **entire supervisory board** in the case of a total discharge.

In the event of a virtual general meeting pursuant to Section 118a of the German Stock Corporation Act (*Aktiengesetz – AktG*), Deka reserves the right to vote against the formal discharge of the supervisory board if one or more of the following deficits are present:

- The shareholders' right to ask questions in advance is unreasonably restricted, A maximum limit is set in advance on the number of admissible questions,
- The right to ask questions and receive information in the general meeting is limited to requests and questions on new issues,
- Members of the Board of Directors and the Supervisory Board do not participate in the general meeting for its entire duration.

4.1.3.2. Reconciliation on the board of management and supervisory board remuneration

The supervisory board shall ensure a vote on the remuneration system for the **board of management** in the event of **any material change to the system, but at least every four years**.

The supervisory board shall ensure a vote on the remuneration system for the **supervisory board** at **least every four years**.

The **remuneration report** for the previous financial year shall be voted on **annually**.

If these points are not met, **Deka** will not discharge the **chairman of the supervisory board** in the case of individual discharge of supervisory board members or the **entire supervisory board** in the case of a total discharge.

In the case of AGM resolutions with **less than 75 per cent approval** of the remuneration system or -report, Deka expects an improvement or statement at the next AGM. If this is not achieved, **Deka** will **not discharge** the **chairman of the remuneration Committee** in the case of individual approval, or the **entire supervisory board** in the case of a total approval.

4.1.3.3. Attendance of supervisory board members

Proof of attendance at meetings is important to Deka for assessing whether members are executing the responsibilities of their office.

If an **individualised report** on the **attendance of supervisory board members** at supervisory board and committee meetings is not published, **Deka** will speak out **against formal discharge** of the **supervisory board**.

Deka takes a critical view of **attendance rates of less than 75 per cent** for plenary and committee meetings, **without adequate justification**. If these thresholds are not met, **Deka** will **vote against the discharge of the relevant supervisory board members**. If no individual discharge is planned, Deka will **vote against the discharge of the entire supervisory board** if two or more members have attended less than 75 per cent of the meetings.

4.1.3.4. Related Party Transactions

Deka also speaks out **against formal discharge of the supervisory board** if **significant** related party **transactions** have **not** received prior **approval by the supervisory board**.

4.2. Appointments

The composition of the board of management and supervisory board is of key importance to the long-term success of a company. The responsibilities of board members should be clearly defined and presented in the company's publications.



4.2.1. Composition and diversity of the Supervisory Board

When choosing supervisory board members, care must be taken that they have the necessary knowledge, skills and professional experience to fulfil the responsibilities of a supervisory board member.

The supervisory board must set specific targets for its composition and prepare a profile detailing the competency of the board as a whole; a qualification matrix must be produced to explain how the details in the competency profile have been arrived at. The supervisory board must include at least two **financial experts** with expertise in accounting and auditing, and at least one member with sustainability expertise.

If there are significant concerns about the **qualifications** of prospective supervisory board members or if prospective members have a potential **conflict of interest**, **Deka will reject the candidates in question.**

In addition to having the necessary **professional expertise**, the supervisory board, including its committees, should exhibit the broadest possible personal **diversity** that is appropriate for the company and the regions in which the company does business, e.g. with respect to qualifications, gender, age and nationality.

In particular, **at least 30 per cent** of the supervisory board members of listed companies and companies subject to employee co-determination requirements should **be based on equal co-determination**. If a supervisory board has four supervisory board members or fewer, a single representative of the other gender may be accepted.

If these requirements are not met or if important biographical data (e.g. age) are missing, **Deka can oppose relevant candidates** and will **not agree to the re-election of the chairmen of the nomination committee.**

4.2.2. Independence of the supervisory board

The supervisory board should include an appropriate number of independent members. As a

rule, Deka requires **more than half** of the shareholder representatives to be **independent**. In companies controlled by **large shareholders** (together more than 50% of the share capital), **at least one third** of the shareholder representatives should be **independent**.

Deka feels that supervisory board members are not independent if they

- have already held this position for **more than ten years**,
- **represent a shareholder** that holds more than 10 per cent of the voting rights,
- are a **related party** to a board member,
- were **formerly board of management members**,
- are **delegated supervisory board members**,
- were **previously auditors or advisors** that audited or advised the company in the previous five years,
- maintain a **connection with competitors** and key partner companies.

If these requirements are not met or if the company does not assess the independence of the supervisory board members, **Deka will oppose all eligible dependent supervisory board members on the capital side.**

4.2.3. Attendance in re-election

If an **individualised report** on the **attendance of supervisory board members** at supervisory board and committee meetings is not published, Deka will oppose the re-election of the relevant members of the Supervisory Board

The same applies if the supervisory board member to be re-elected has an **attendance rate** of **less than 75 per cent** for plenary and committee meetings, without adequate justification.

4.2.4. Cooling-off period

Deka disapproves of board of management members moving into the supervisory board of the



company **without** a **waiting period of two years**.

4.2.5. Former members of the board of management

The supervisory board should **not** have **more than two members** who are former members of the board of management.

4.2.6. Chairman of the supervisory board

The chairman of the supervisory board shall be independent.

A **former member of the board of management** should **not take over the chairmanship of the supervisory board** even after a waiting period of two years.

In **justified exceptional cases**, Deka may deviate from this rule if

- there are comprehensible reasons which justify the election or re-election of a former member of the management board as chairman of the supervisory board; or
- the former member of the management board only temporarily takes over the chairmanship of the supervisory board.

4.2.7. Individual appointment of supervisory board members

Due to the prominent positions they hold, supervisory board members should be elected individually during general meetings.

Deka advocates a **staggered board** for supervisory board members. Staggered terms increase flexibility, in particular in order to better meet an evolving competence profile and take account of changes in the ownership structure.

4.2.8. Chairman/Chief Executive Officer

For companies with a single board organisational structures, **Deka** favours a **clear separation between the roles** of chairman and chief

executive officer and **opposes** situations where the **same person holds both these offices**. **Deviations from this rule are possible** in justifiable exceptional cases, e.g. when a lead independent director is represented on the board of directors.

Deka rejects a possible **change** of an **executive director** to the role of chairman/non-executive director without a **waiting period of two years**.

4.2.9. Remuneration committee

In the event of a low approval rate (less than 75%) for the remuneration system or the remuneration report in the previous year and a poor response or lack of response to significant shareholder criticism of the remuneration system or remuneration report, Deka may refuse to re-elect the members of the remuneration committee.

4.3. Board positions

Deka favours clear limits on board positions. Enough time must be available to responsibly fulfil the supervisory duties of each board position. Deka takes a critical view of supervisory board candidates who hold multiple positions on the boards of other companies.

Deka requires that

- a **CEO** of a listed company or company subject to comparable requirements may **not hold the position of chairman** of the supervisory board (non-executive chairmanship) in a listed company or company subject to comparable requirements outside the Group, or **more than one supervisory board position** (non-executive directorship) in listed companies or companies subject to comparable requirements outside the Group,
- an **executive director** of a listed company or company subject to comparable



requirements may **not hold the position of chairman** of the supervisory board (non-executive chairmanship) in a listed company or company subject to comparable requirements outside the Group, or **more than two supervisory board positions** (non-executive directorship) in listed companies or companies subject to comparable requirements outside the Group,

- a **supervisory board member** (non-executive directorship) who holds no executive positions in any company, holds **no more than five supervisory board positions** (non-executive directorship) in total in listed companies or companies subject to comparable requirements, with the position of supervisory board chairman (non-executive chairmanship) counting as two positions.

The work load of an audit committee chairman should be taken into account when checking the positions held.

4.4. Age limits and limits on the length of office

In order to ensure that the supervisory board is constantly renewed, Deka requires that board members not hold board positions for **more than 15 years**. **Longer terms** of office can be permitted for **large shareholders** or their representatives.

The **age of supervisory board members** should not exceed **75 years**. The age of **board of management members** should not exceed **65 years**.

4.5. Committee formation

The supervisory board should form qualified committees. Deka favours a **majority of independent members** of key committees (audit, nominating, remuneration, compliance).

If the **chairman of the supervisory board** is a **major shareholder** or its representative, the **committees** should be composed **mainly of independent candidates**.

It must be ensured that the **chairman of the audit committee is independent**. In particular, he may **not be a former executive director** of the company, a **large shareholder** or a large shareholder representative. The **chairman of the supervisory board** (non-executive chairman) should **not hold** the position of **chairman of the audit committee**.

The **chairman of the committee** dealing with the **remuneration** of the management board shall be **independent**.

The **chairmen** of the **other committees** should be independent.

The **members of the nomination committee** should only be **shareholder representatives**.

If these requirements are not satisfied, **Deka** will vote **against re-election of the chairman**. Deka also votes **against the chairman of the audit committee** in the event of re-election if the criteria for the audit committee are not met or the candidate does not have the expertise in the areas of accounting and auditing.

In addition to the required **professional competencies**, the supervisory board committees should exhibit the broadest possible personal **diversity** that is appropriate to the company and the regions in which the company does business, including with regard to gender, age and internationality, taking minorities into account.

If diversity is not met or important biographical data (e.g. age) is missing, **Deka reserves the right to reject relevant candidates and not to agree to the re-election of the chairman of the nomination committee**.



4.6. Remuneration of board of management members

In Deka's opinion, the remuneration structure for board of management members must be oriented towards sustainable company performance and may, in particular, not induce board members to assume inappropriate risks. The remuneration structure should be transparent and comprehensible and contribute to the promotion of the business strategy and the long-term development of the company.

In order to achieve an appropriate structure for the remuneration of the board of management, a dialog between investor and company in the run-up to an annual general meeting is purposeful. For this reason, **Deka holds regular discussions on the remuneration of the board of management** as part of the engagement process, especially when changes to the system are pending.

Deka places **extensive quality requirements** on the remuneration system, which are described below.

4.6.1. Structure of the remuneration system

Deka defines the **target remuneration** as the sum of all remuneration amounts of one year (including pension benefit contributions and fringe benefits) in the case of full target achievement. The **maximum total remuneration** corresponds to the highest possible expenses of the company resulting from the sum of all remuneration elements for the respective year. Furthermore, the supervisory board shall determine the **maximum remuneration**, i.e. the maximum payment of the compensation granted in a fiscal year, including fringe benefits and pension expenses, for the members of the board of management.

Board of management remuneration must be structured so that

- the remuneration system is based on **three basic elements**, namely fixed

remuneration, annual and multi-year variable remuneration,

- the **target and maximum total remuneration** for the preceding financial year must be added for each individual member of the board of management,
- the ratios of the individual **remuneration components** to target remuneration are stated,
- a transparent comparison of the sum of the total remuneration with relevant competitors (peer group) is published,
- the relevant **financial and non-financial performance criteria** for granting the variable remuneration components are stated,
- the connection between objective achievement and variable compensation (**pay for performance**) is shown schematically or quantified,
- the **payment modalities** for the members of the board of management to dispose of the variable remuneration amounts granted are specified,
- the **target and maximum remuneration of the board of management** should be communicable overall in comparison to the remuneration of senior managers and the employees or in comparison with other companies, and should be explainable to the general public,
- any **company pension** entitlements are only **defined contribution** plans that are linked to fixed remuneration.

4.6.2. Absolute caps and maximum remuneration

The absolute caps for total board of management remuneration must ensure that

- there are **absolute caps** on all variable remuneration components,
- there is a **cap** on variable remuneration linked **to the share price**,
- **personal investments in shares** of the company by a board of management



member are not subject to remuneration caps.

As a rule, the **maximum remuneration** should indicate which amount may not exceed the maximum total remuneration. A maximum remuneration that exceeds the maximum total reimbursement is to be critically examined and if necessary rejected.

4.6.3. Share ownership requirements

Deka requires that agreements be reached with board of management members to hold shares of their companies. The amount should be **at least the amount of gross fixed remuneration for one year**. This share ownership should be achieved after 4 years at the latest. The shares are to be held permanently at least during membership of the board of management.

4.6.4. Structure of variable compensation

When selecting and specifying targets, it is crucial that they reflect the desired company strategy as closely as possible. For the purposes of providing incentives and exercising control, their changes should also be transparent and verifiable and allow little room for manipulation or external influences (windfall profits).

Deka feels it is important in this regard that

- the **fixed remuneration** does **not exceed the variable remuneration** of the target remuneration,
- the **long-term variable** remuneration **exceeds** the **short-term variable** remuneration (measured against the target total remuneration), whereby more than half of the variable remuneration should be attributable to the long-term component,
- the portion of **remuneration paid in the short term** (fixed remuneration and one-year annual bonus) does not exceed **60% of the target remuneration**,
- the **variable remuneration** mainly contains **share-based** remuneration

elements or this portion is to be invested in shares of the company,

- granted **long-term variable remuneration components** shall be accessible only after a period of **four years**,
- the variable remuneration components be based on **challenging performance targets and evaluation parameters** that **may not be** subsequently **changed** to make target achievement easier,
- the performance parameters for determining the variable remuneration for each member of the board of management are defined in a nuanced manner according to the roles and responsibilities of the board of management,
- **different performance criteria** are used for one-year and multi-year variable remuneration (**at least two KPIs each**),
- the performance parameters for determining variable remuneration are **not solely linked to the share price**,
- the performance parameters are to be set before the beginning of the financial year,
- **the total shareholder return (TSR)** and/or the **absolute share price increase** should **not be the only KPIs** of long-term remuneration,
- company-specific **ESG criteria**, which reflect the key sustainability risks and opportunities of the company and, as non-financial performance indicators, are an integral part of the business strategy, are recognised in long-term variable remuneration,
- the long-term variable remuneration has a forward-looking **multi-year calculation basis** (at least three years),
- no dividend equivalents may be granted.

4.6.5. Share options for board of management members

Share options are option rights given to employees to buy shares of the company. They entitle the holder to buy shares at a pre-specified price on a



pre-specified date or during a certain period. Deka requires in this regard that

- **redemption of the share option plans** shall extend beyond the term of the contract,
- existing share capital shall **not be diluted more than 5%** by a share option plan,
- the exercise price payable when the options are exercised to buy shares shall, as a rule, **equal the share price at the time of issue**. Any reduction in the exercise price may not exceed 5% and must be justified.

4.6.6. Discretionary remuneration decisions

In remuneration systems, an **individual performance factor is often applied** when determining the annual bonus. This enables the supervisory board to take other success and performance aspects as well as any extraordinary developments adequately into account, which are not sufficiently reflected in the other performance criteria of the annual bonus.

Although Deka does not categorically oppose such discretionary remuneration decisions by the supervisory board, they must satisfy certain principles:

- **discretionary interventions** by the supervisory board **must be verifiably explained**,
- discretionary leeway must be limited to exceeding or falling short of the target by no more than 20%,
- **special payments** (e.g. discretionary bonus for specific occasions) outside the regular variable remuneration should be avoided wherever possible. If, in exceptional cases, a special payment is nevertheless made, this must be described and justified transparently in the compensation report. However, such a special payment may not exceed the maximum remuneration.

4.6.7. Other contractual provisions

Deka requires that the supervisory board include contractual provisions governing the following:

- the variable remuneration components should take both positive and negative performance in the company's result into account (**bonus/malus remuneration**),
- the variable remuneration components should include **malus and clawback provisions** to withhold remuneration (malus) or reclaim remuneration already paid out (clawback) This applies to intentional or grossly negligent violations of legal obligations or breaches of material contractual obligations or internal company guidelines (compliance clawback). On the other hand, it applies to variable compensation components that are linked to the achievement of certain targets but were paid out wrongly on the basis of incorrect data (performance clawback).
- in the event of **premature termination of a management board member's contract by mutual consent** without good cause, the payments may not compensate more than the remaining term of the employment contract and at the same time may not exceed the value of **two years' total compensation** (severance payment cap). If a post-contractual non-competition clause has been agreed, the compensation for non-competition shall be credited against the severance payment,
- in the event of **premature termination at the request of a management board member** without good cause **or good cause for termination by the Company**, there is no entitlement to severance pay or other payments from the one-year or multi-year variable compensation,
- benefit commitments made in connection with the early termination of a management board member contract by



the management board member due to a **change of control** should not be agreed upon. If a payment is nevertheless made, it should not exceed **two years' total remuneration** (but not more than the remaining term of the employment contract),

- **excessive sign-in bonuses** and golden parachutes are to be avoided.

4.6.8. Voting on the remuneration system for the board of management

The remuneration system for the **board of management** must be voted on at the annual general meeting in the event of **any material** change to the system, but at least every four years.

Deka votes against a remuneration system for the board of management in which the **mentioned quality requirements** are largely **not met** or insufficient information is provided to enable a proper decision to be made.

If Deka considers the **maximum remuneration** of the members of the board of management (for the full board of management or for each member of the board of management separately) determined in the remuneration system to be unreasonably high, Deka reserves the right to submit a motion for a reduction at the annual general meeting.

In the case of AGM resolutions with less than 75 per cent approval of the remuneration system of the board of management, Deka expects an improvement or statement at the next AGM.

4.7. Remuneration of supervisory board members

Deka will try to ensure that the remuneration of supervisory board members does not appear unreasonably high compared to the level of remuneration provided by comparable companies.

Deka favours **fixed remuneration for supervisory board members**. This is because supervisory board members must perform a

supervisory function that is inconsistent with performance-related remuneration. Pension arrangements for supervisory board members are opposed.

If the members of the supervisory board have made a **voluntary commitment to purchase shares** in the company, the amount should not exceed 15% of the total compensation granted (before taxes).

The remuneration system for the supervisory board must be voted on at the annual general meeting **at least every four years**.

In the case of AGM resolutions with less than 75 per cent approval of the remuneration system of the supervisory board, Deka expects an improvement or statement at the next AGM.

4.8. Remuneration report

The remuneration report to be drawn up jointly by the executive board and the supervisory board each year shall show by name **the remuneration of each individual current or former member of the executive board and the supervisory board** granted and owed by the reporting company itself and by companies of the same group in the last financial year.

In accordance with **the statutory disclosure requirements**, the remuneration report must in particular present the fixed and variable compensation components, a comparative presentation of the annual change in remuneration, the Company's earnings performance and the average remuneration of employees on a full-time equivalent basis over the last five fiscal years, the number of shares and stock options granted or promised and any deviations from the remuneration system for the management board. It must also be explained how the maximum remuneration of the management board members has been complied with, since this is the only way to enable the annual general shareholders' meeting to review the remuneration system.



Deka expects the remuneration report to contain both **quantitative and qualitative information**. It should explain how the remuneration promotes the Company's long-term goals, how the performance criteria were applied and how the variable payment amounts were calculated. Thus, **for the financial performance criteria and ratios, the target values, the upper and lower limits, the weightings as well as the respective degree of target achievement shall be published at least ex-post**. The achievement of **individual targets** should also be published. The remuneration report should show that the roles and responsibilities of the board of management were taken into account individually in the achievement of targets and how this was done.

In addition, the remuneration of the board of management should be presented **in comparison to the remuneration of executives and the workforce** as a whole and the development of the remuneration of the management board in relation to the average compensation of the workforce over the last 5 years. The remuneration report should also provide an overview of remuneration within the workforce, broken down by diversity criteria relevant to the company and business regions (e.g. unadjusted gender pay gap).

The remuneration report for the past fiscal year should contain an **outlook on the application of the remuneration system in the current fiscal year**. In this outlook, the selection of financial performance criteria and ratios shall be reported ex-ante. Exceptionally, non-financial performance criteria as well as the concrete target for the financial key figures may only be explained ex-post if there are competition-relevant facts to the contrary.

The remuneration report must be voted on annually for the previous fiscal year. Deka expects that the remuneration report of the board of management and the supervisory board will be put to the vote in separate agenda items.

If the listed **quality requirements for the remuneration report** are largely **not met**, **Deka will reject the remuneration report**.

In the case of AGM resolutions with less than 75 per cent approval of the remuneration report, Deka expects an improvement or statement at the next AGM.

5. Auditor

The auditor is supposed to ensure that the preparation and presentation of annual financial statements provide a true and fair view of the company and comply with accounting requirements.

It must be ensured that the auditing firm and responsible auditor are independent of the company being audited. If Deka has justifiable **doubts about their independence, it will vote against the appointment**.

The same applies if the auditor receives more in **fees** from advisory activities than from auditing activities, or provides a substantial volume of advisory services for the company.

In addition, expenses paid to auditors should be shown separately and monitored by an independent audit committee formed by the supervisory board.

Deka takes a critical view if the company has been a client of the auditing firm for an especially long period of time. The **responsible auditor** should **not be engaged for more than five years**. The name of the responsible auditor should also be indicated in the annual report.



6. Corporate actions and share buybacks

6.1. Capital increases

Motions for capital increases during general meetings mostly concern authorised and contingent capital. While authorised capital is used for capital increases to issue new shares, contingent capital is intended for issuing shares when shareholders exercise conversion or subscription rights (for share options, convertible bonds and warrant-linked bonds).

Capital increases should always be used in the interest of shareholders to improve the long-term performance outlook of the company. In the case of capital increases without subscription rights, it must be ensured that as little dilution as possible occurs.

Deka takes a critical view of large-scale anticipatory resolutions for corporate actions (authorised and contingent capital increases).

Deka is subject to a maximum anticipatory resolution for an authorised capital increase of 20 per cent of the share capital and a maximum contingent capital increase of 20 per cent of the share capital, together with the anticipatory resolutions already in the articles of association. A maximum exclusion of subscription rights of 10 per cent applies to both capital increases, which together amount to 40 per cent of the share capital.

Deka only recognizes a **voluntary commitment by the board of management** to limit the exclusion of subscription rights cumulatively to 10 per cent if, in addition to the newly proposed capital measures, this also includes the already existing capital measures and the voluntary commitment has also been incorporated into the articles of association.

Deka can **deviate from this rule in justifiable exceptional cases** (e.g. corporate measures for scrip dividends, employee shares, regulatory

requirements), which must be explicitly mentioned when the motion is proposed.

6.2. Share buybacks

Companies should maintain sufficient free liquidity to finance their operating business, inorganic growth and an appropriate dividend to shareholders. Share buybacks should only be carried out if further free financial resources are available in addition and a share buyback programme is used to reduce liquidity and optimise the capital structure.

In general, Deka prefers a dividend payment (e.g. in the form of a special dividend) to share buybacks. However, Deka may agree to a share buyback programme if the financial position of the company allows it.

7. Mergers and acquisitions

Deka requires that an extraordinary general meeting be called in the event of a **takeover bid for the company** to allow shareholders to vote on the offer.

A **major transformational takeover or merger** facing the company must be put to a vote by the general meeting.

Deka will vote in favour of a merger/acquisition when the information provided (incl. strategic background, economic verifiability) is sufficient to make a well-considered decision and the purchase price reflects the sustainable enterprise value according to internal analyses.

8. Shareholders' rights

Deka shall vote against all amendments to the Articles of Association that are detrimental to shareholders' rights.



In the event of amendments to the articles of association to introduce virtual general meetings, Deka will vote against these amendments, if

- the amendment is to be limited to a time period of more than one year, or
- in the justification for the proposed amendment, no written declaration is provided as to whether and under what conditions an authorisation of the Board of Directors shall be used in the future, or
- no written declaration is provided about the specific structure of shareholder rights in future virtual general meetings, which guarantees in particular that the shareholders' right to ask questions in advance is not unreasonably restricted and that there is no maximum limit set in advance on the number of admissible questions and the right to ask questions and receive information in the general meeting is not limited to requests and questions on new issues.
- the board of management does not have to obtain the approval of the supervisory board before convening a virtual general meeting.

9. Other

Motions that are not explicitly included in the Deka voting policy must be examined and assessed based on normal market standards. No motion may have a negative effect on shareholder rights and/or violate individual elements of the policy.