

Proxy Voting Policy

Union Investment's voting guidelines

Union Investment stands for active and responsible ownership

Union Investment portfolio managers regularly influence the management and business policy of public limited companies at annual general meetings. They act in the interests of investors and exclusively for the benefit of the invested assets. Union Investment supports all actions that will sustainably increase the value of a company in the long term and votes against any actions that go against this objective.

Union Investment expects companies to be managed responsibly and in such a way that social, ethical and environmentally relevant factors are taken into account in addition to purely financial targets. Union Investment will support targets based on those factors, provided they are in the long-term interests of shareholders and thus enhance long-term enterprise value. Because it focuses on investors' interests, Union Investment has also put in place organisational structures to avoid potential conflicts of interest with an adverse effect on investors that might result from exercising its voting rights. Further details can be found in Union Investment's Engagement Policy.

Details of proxy voting policy

We cast our votes in accordance with the current Union Investment Proxy Voting Policy. Based on this policy, the proxy advisory service IVOX Glass Lewis issues voting recommendations. The case-by-case review and final decision on whether or not to vote in line with this recommendation is taken by the Portfolio Management stewardship team at Union Investment. Proposals that are not covered by the Proxy Voting Policy are assessed individually on an arm's-length basis.

Shareholders' rights

Union Investment votes against multiple voting rights, restrictions of voting rights and special privileges and will vote against proposals for them at annual general meetings. Shareholders have a right to be informed and a right to co-determination. Major shareholders should have the right to convene extraordinary general meetings. No action should be taken that could demonstrably harm the interests of minority shareholders. Reasons must be provided for any proposed change to the articles of association and Union Investment will vote against any proposed changes that would adversely affect shareholders' rights.

Subsuming multiple voting items under one agenda item should be avoided. If it is not possible to vote on individual items such as specific elections or the ratification of specific actions separately, Union Investment will vote against the entire agenda item if it disagrees with any of the subsumed voting items.

Requirements for management boards and supervisory boards

General requirements

Responsibilities within management and supervisory bodies (management boards, supervisory boards, committees) should be clearly defined and segregated.

Individual persons should not exercise undue power and it should be possible to monitor them adequately.

Supervisory and management board members should be competent and free of any conflicts of interest. Both the management board and the supervisory board should have expertise in the field of sustainability (ESG criteria).

Candidates' qualifications for membership of a company's supervisory and management boards (e.g. career history, age, nationality, date of first appointment, duration and end date of current term of office, other directorships) must be disclosed in the agenda for the AGM if they have not been disclosed earlier. A profile of skills and expertise should be prepared that illustrates how the composition of the full board covers relevant skills and expertise.

Supervisory board members should not be over the age of 75 at the time their term of office ends. The equivalent age limit for management board members is 65. In addition, members of the supervisory board should serve on the board for no longer than the maximum term specified by the company or 15 years, whichever is shorter.

The supervisory board advises and supervises the management board and it is responsible for monitoring and assessing the performance of the management board. Former management board members should not be appointed to supervisory bodies in the same company unless a cooling-off period of two years has been observed.

The supervisory board should examine its efficiency annually. Every three years, it should have its efficiency reviewed by an external body and report openly on this review.

Companies should report which individual members of its supervisory board have attended which supervisory board and committee meetings. A critical view is taken of the failure to provide this information, and of members whose attendance rate is less than 75 percent of meetings, unless there is good reason for the absences.

Composition

The composition of a company's supervisory board and management board should be suitably diverse. Aspects such as gender balance, age range, professional backgrounds and cultural heritage should be taken into account in this respect. Male and female members should each account for no less than 30 per cent of the full supervisory board. The company should report on its diversity policy on a regular basis and disclose its diversity targets as well as the degree to which it is achieving these.

Supervisory boards should be independent, i.e. at least 50 per cent of its members should be independent. Employee representatives are deemed to be neutral,

and they are not included when calculating the independent majority on a supervisory board.

Members of supervisory boards are deemed to be independent if they have no business relationship or personal relationship with the company or its management board that could cause a conflict of interest. These criteria must be met at the time of appointment and for the preceding five years. If supervisory board members receive any remuneration from the company that is not connected with their duties as members of the supervisory board, they are not deemed to be independent. Supervisory board members are also not regarded as independent if they have been in their post for more than ten years, if they represent a shareholder whose stake equates to more than 10 per cent of the voting rights or if they were previously a member of the company's management board.

If there is serious doubt as to the competence and impartiality of a supervisory board, Union Investment will also vote against the independent candidates who have been proposed.

No more than two former members of a company's management board should be members of its supervisory board. If several former management board members are nominated, Union Investment will always give preference to existing supervisory board members.

The terms of office of supervisory board members should be scheduled in such a way that there are regular opportunities to adjust the composition and a smooth transition is ensured ('staggered board').

Union Investment takes into account the number of external supervisory board positions held when assessing the suitability of candidates as members of a supervisory board. The number of supervisory board seats held should not exceed five. An appointment as chair of a supervisory board counts as two seats. Any person who is a member of the management board should not sit on more than two supervisory boards of companies outside that company's group (the chairperson of a management board should not hold more than one external supervisory board position). Here, too, the role of chair of a supervisory board counts as two seats. The chairperson of a company's management board should not simultaneously chair the supervisory board of a company that does not belong to the same group. Union Investment takes a critical view if the number of seats held on external supervisory boards exceeds this standard.

Supervisory board chairperson

Union Investment is not in favour of the same person chairing both the company's management board and its supervisory board or the supervisory board and the audit committee. The same applies to a member of a management board becoming chairperson of the same company's supervisory board before a cooling-off period of two years has expired.

Committees

Supervisory boards should form committees with specialist expertise, such as an audit committee, a remuneration committee and a risk committee. Union Investment takes the composition of committees into account when assessing the suitability of candidates as supervisory board members. Senior positions on these specialist committees should be occupied by independent experts who represent the interests of investors in an appropriate manner. Most importantly, the chairperson should be independent. In addition, Union Investment is in favour of a composition where the majority of members of such committees are independent. A critical view is taken of committees with a lower proportion of independent members.

A company's nominations committee should consist exclusively of representatives of its shareholders. The audit committee should include a named financial expert.

Remuneration of management and supervisory boards

General requirements

In addition to the requirements listed below, Union Investment takes into account market practice, industry norms (corporate governance codes, best practice standards, etc.) and market-specific remuneration criteria when assessing management board remuneration. Union Investment will vote against the remuneration system if the expectations set out below regarding remuneration are not satisfied to an adequate degree.

Remuneration of the members of management and supervisory bodies should be in line with the long-term growth of a company's enterprise value ('pay for performance'). It should be easy to understand, transparent and justifiable to the public as well as proportionate relative to the remuneration of the company's managerial staff and other employees

and the remuneration paid by peer companies. The remuneration granted to a company's management and supervisory boards should focus on the long-term performance of the company and it should not encourage excessive risks to be taken.

A remuneration committee should determine the amount, type and scope of the remuneration, as well as the criteria for entitlement to the variable remuneration components.

The same remuneration system should be applied to all members of a management board. It should comprise a fixed remuneration component as well as short-term and long-term variable remuneration components. Variable remuneration should make up a bigger proportion of the total target remuneration than the fixed component. Long-term variable remuneration should make up a bigger share of the total variable component than short-term variable remuneration. The target and maximum remuneration for the next financial year should be disclosed for each management board member. In addition, the relationship between target achievement and variable remuneration ('pay for performance') should be set out and transparency should be provided as to when and in what form remuneration will be paid.

Upper limits should be defined for the total amount of remuneration and all variable remuneration components. If Union Investment deems the upper limit for the total remuneration of a management board member or the entire management board to be disproportionate compared with their performance or the remuneration paid by peer companies and no satisfactory justification is provided for this limit, Union Investment reserves the right to reject the management board remuneration system in its entirety.

Where commitments regarding occupational pension provisions are agreed, these should be defined contributions, and should be linked exclusively to the fixed remuneration. No defined benefit dependent on final salary should be agreed or extended for new pension plans or the extension of existing policies.

It should be possible to reduce (malus) or reclaim (claw-back) the management board remuneration in the event of gross breaches of duty or grossly unethical behaviour, material breaches of the duty of care, or breaches of compliance and governance guidelines. Severance packages and other contractual agreements between a company and its management board members are viewed critically. Members of the management board should not be compensated or rewarded for mismanagement.

Companies should ensure that management board members' contracts of employment do not provide for payments in excess of two years' remuneration if they leave the board early (upper limit on severance pay) and that a maximum that is equivalent to the remaining period of their contract of employment is set. Terminations that occur within twelve months of an employment contract being extended should be scrutinised particularly closely. If a contract is terminated at the request of a management board member, or for cause that is the responsibility of the management board member, no severance payment should be made.

Structure of the variable remuneration component

Union Investment expects the following quality aspects to be applied to variable remuneration components:

- Appropriate personal investment in shares, comprising at least the amount of one gross annual fixed remuneration, to be reached within four years
- Strong focus on sustainable long-term company performance
- Integration of materially significant and ambitious ESG targets ('key sustainability indicators', e.g. for environmental and social aspects) into long-term variable remuneration; these targets should be derived from the company's sustainability strategy and should be measurable, transparent and verifiable
- Balanced consideration of at least two different key figures each for short-term and long-term variable remuneration, ensuring that performance indicators are not exclusively based on the share price
- Ambitious absolute and relative return targets based on an assessment period of at least three years for key figures relating to long-term variable remuneration; these targets should be aligned with the medium-term and long-term goals of the company
- Payment of long-term remuneration components after four years at the earliest
- Appropriate scope (horizontal and vertical adequacy), disclosure and definition of a suitable and objectively selected peer group
- Long-term horizon and transparency

A critical view is taken of retrospective changes to performance measures which make it easier to achieve specified targets.

The equity investments of management boards should be protected against breaches of insider trading regulations by specific compliance processes (e.g. automated purchasing process on a pre-defined date).

Transparency

The remuneration report should disclose the total amount of remuneration, the financial and non-financial elements that are used in the calculation of the variable remuneration components and explanations regarding the relationship between target achievement and variable performance ('pay-for-performance relation'). The report should also provide information on payment dates and forms of payment, the maximum achievable remuneration amounts and any conditions attached to the remuneration. This information should be disclosed for each member of the management board individually by name. The contribution of each remuneration component to the long-term performance of the company should also be evident. The remuneration report should provide information about threshold values, targets and maximum values for the figures used in the calculation (KPIs), their weighting, and the target achievement for variable remuneration components for the last financial year. Explanations should be provided as to how the awarded remuneration components will be paid. It should also be disclosed how the remuneration of the management board has changed relative to the average remuneration of the workforce over the past five years. The remuneration report should be put to a vote on an annual basis. Discretionary remuneration adjustments (positive or negative) by the supervisory board should not exceed 20 per cent and should be explained in a transparent manner. Special payments should generally be avoided. In exceptional cases, the amount of the one-off payment must be disclosed along with a well-founded justification as to why the payment is in the interest of shareholders. Upper limits for remuneration must be observed.

A remuneration increase should be plausibly justified, with information regarding the peer group taken into account.

The remuneration of the board of management, and above all any planned material adjustments of the remuneration system, should be a regular subject of discussions between issuer and investor. The relevant dialogue should take place in good time before the AGM.

Major changes to the remuneration system for a company's management and supervisory boards should be added to the agenda for approval at its AGM. The remuneration scheme should be put before the AGM at regular intervals, at least once every four years. If a remuneration scheme is approved by fewer than 75 per cent of the votes, it should be improved and then put to the vote at the next AGM.

Special features of supervisory board remuneration

If supervisory board members receive performance-related remuneration components in addition to their fixed remuneration, this should reflect the long-term performance of the company. The long-term success factors should be disclosed. The remuneration of individual supervisory board members should also be disclosed.

Liability, responsibility and ratification of the acts of management

Union Investment will not ratify management acts when legal proceedings regarding corporate responsibility are under way or there is other evidence of serious misconduct. The same applies for any breach of, or failure to act in accordance with, ESG standards.

Union Investment takes a critical view of breaches of international standards and norms on environmental protection, human rights and labour law such as the UN Global Compact, and takes this into account in its voting decisions.

Union Investment does not approve of full exemption from liability for company executives.

If a company takes out D&O liability insurance for its management board, the policy should include an appropriate excess of at least 10 per cent of any claim.

Corporate actions

Capital increases are in the interest of shareholders, provided the new capital generates a return that is higher than the cost of capital. Union Investment does not differentiate between contingent and authorised capital.

Union Investment is generally critical of large-scale capital increases and capital increases that do not include pre-emption rights. For this reason, requests to increase capital that do not confer pre-emption rights and that are for more than 10 per cent of share

capital are generally rejected, as are increases in capital of more than 20 per cent of share capital, except in legitimate, exceptional cases.

When a company raises capital, it must always disclose the amount of its reserve capital and the ratio of reserve capital to share capital. Pre-emption rights should be regularly tradeable on stock exchanges.

If a company fails to find suitable investment opportunities that at least cover its capital costs, Union Investment prefers it to pay dividends rather than buy back shares. Consequently, Union Investment does not generally support share repurchase programmes or the associated use of derivatives.

Legitimate reasons, explaining the company's long-term strategy for corporate actions, must always be provided for requests to approve capital increases or share repurchases.

Attitude towards takeovers

Takeover bids are assessed on a case-by-case basis in terms of their added value for shareholders, their strategic focus and their environmental and social impact. Union Investment only welcomes takeover bids that include an appropriate takeover premium. Union Investment will usually vote in favour of takeover bids, provided the purchase price reflects the fair value of the company's shares and shareholders cannot expect to obtain a higher price elsewhere.

Transactions that exceed a volume of 30 per cent of the acquiring company's market value must be put to a vote at the annual general meeting.

A company's management board should not take any actions that prevent the success of any takeover bid ('poison pill') if it has not been authorised to do so by its shareholders (AGM) or supervisory board.

External auditor

External auditors should not be appointed for a period longer than five years. The auditor-in-charge should be named in the company's annual report.

Audit firms should not undertake overly extensive advisory roles at the companies they audit. If the fees paid to an audit firm for its advisory work at a company are disproportionately higher than those it receives for auditing the company, Union Investment will vote against appointing that audit firm.

Transparency and sustainability reporting

If a company's annual reports fail to meet the requirements of important disclosure standards or the minimum requirements regarded by Union Investment as prudent, Union Investment reserves the right to vote against the relevant agenda items.

As a signatory to the PRI (Principles for Responsible Investment), Union Investment calls on companies to support initiatives for increasing disclosure of sustainability data.

Climate change is becoming an increasingly important factor in the valuation of companies. Union Investment therefore expects companies that are significantly affected by climate change or climate protection measures to adopt a systematic approach towards creating transparency about the associated opportunities and risks. As part of this approach, the implications of climate change should be analysed from a holistic point of view that also takes account of potential water and biodiversity risks. In addition to meaningful reporting of their greenhouse gas emissions (scope 1 to scope 3) based on generally accepted standards, Union Investment expects companies to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in an appropriate manner. For companies with a large market capitalisation (> €1 billion), Union Investment deems it appropriate that they should also publish reports based on the standards of the Carbon Disclosure Project (CDP)

Inspired by the Paris climate agreement, all companies should define a dedicated climate change strategy for themselves that is specifically geared towards achieving the goal of climate neutrality in terms of greenhouse gas emissions by no later than 2050. Ambitious short-term and medium-term targets should be defined to operationalise this long-term goal. Union Investment explicitly welcomes companies taking a proactive approach by having their climate change targets validated by organisations such as the Science-Based Targets initiative. A credible climate

change strategy also requires the lobbying activities and industry association work of companies to appropriately reflect their climate protection targets.

Companies should provide transparent, comprehensive reports about the incorporation of sustainability in their corporate strategies, particularly if their business model exposes them to special risks. German companies should be guided by the German Sustainability Code.

The non-financial declaration should be informative and, as a minimum, should be subject to a 'limited assurance' audit conducted by an external auditor. All sustainability reports provided must contain materially significant information and any statements in them must be verifiable. This particularly applies to content that can be measured in statistical terms.

Any repeated or particularly serious failure by a company to fulfil these and other sustainability-related responsibilities will be taken into account by Union Investment in its voting decisions regarding the formal approval of the acts of the relevant company's management board and supervisory board and (re)appointments of its management and supervisory board members.

Shareholder proposals

Union Investment reviews shareholder proposals on a case-by-case basis and supports, in particular, proposals that promote the sustainable development of the business and thus benefit the long-term interests of shareholders. This includes, for example, proposals relating to improvements in the reporting on human capital management, human rights, diversity, labour standards in the supply chain and transparency regarding the appropriate consideration of climate change in the company's reporting, corporate strategy and lobbying activities. Further examples (not exhaustive) include the implementation of policies or rules regarding the prohibition of discrimination and the promotion of equality of opportunity.

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